

SALEM MEDIA GROUP, INC.



DELAWARE
State of Incorporation

770 PASEO CAMARILLO STE. 325, CAMARILLO CA 93010
Company Address

Telephone: (805) 987-0400
Corporate Website: www.salemmaedia.com
Company Email: ir@salemmaedia.com

SIC Code:4832

Annual Report **For the period ending December 31, 2025** (the "Reporting Period")

The number of shares outstanding of our Class A Common Stock is 26,204,586 and Class B Common Stock is 5,553,696 as of December 31, 2025

The number of shares outstanding of our Common Stock was 25,994,519 and Class B Common Stock was 5,553,696 as of September 30, 2025 (end of previous reporting period)

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: No:

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Part A General Company Information

Item 1 The exact name of the issuer and its predecessor (if any).

- Salem Media Group, Inc.

Item 2 The address of the issuer's principal executive offices and address(es) of the issuer's principal place of business:

- 770 Paseo Camarillo Ste 325, Camarillo, CA 93010
- (805) 987-0400 – telephone of issuer's principal executive offices
- www.salemma.com – company website
- ir@salemma.com – investor relations e-mail address

Check box if principal executive office and principal place of business are the same address:

Item 3 The jurisdiction(s) and date of the issuer's incorporation or organization.

- State of incorporation: Delaware, active.
- Incorporated in Delaware on September 20, 1993.

Part B Share Structure

Item 4 The exact title and class of securities outstanding.

- Salem Media Group, Inc. Class A Common Stock (794093104 CUSIP)
 - SALM – Trading symbol
- Salem Media Group, Inc. Class B Common Stock (794093203 CUSIP)
 - Not publicly traded

Item 5 Par or stated value and description of the security.

- \$0.01 par value – Salem Media Group, Inc. Redeemable Series A Preferred Stock
- \$0.01 par value – Salem Media Group, Inc. Redeemable Series B Convertible Preferred Stock
- \$0.01 par value – Salem Media Group, Inc. Class A Common Stock
- \$0.01 par value – Salem Media Group, Inc. Class B Common Stock

Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.

- December 31, 2025
 - Class A Preferred Stock
 - 24,000 shares authorized
 - 24,000 shares outstanding
 - 1 shareholder of record
 - Class B Convertible Preferred Stock
 - 40,000 shares authorized
 - 40,000 shares outstanding
 - 1 shareholder of record
 - Class A Common Stock
 - 80,000,000 shares authorized
 - 26,204,586 shares outstanding
 - 14,712,130 shares public float
 - 122 shareholders of record
 - Class B Common Stock
 - 20,000,000 shares authorized
 - 5,553,696 shares outstanding
 - 0 shares public float
 - 2 shareholders of record
- December 31, 2024
 - Class A Preferred Stock
 - 24,000 shares authorized
 - 0 shares outstanding
 - Class B Convertible Preferred Stock

- 40,000 shares authorized
 - 40,000 shares outstanding
 - 1 shareholder of record
 - Class A Common Stock
 - 80,000,000 shares authorized
 - 21,663,091 shares outstanding
 - 13,690,886 shares public float
 - 51 shareholders of record
 - Class B Common Stock
 - 20,000,000 shares authorized
 - 5,553,696 shares outstanding
 - 0 shares public float
 - 2 shareholders of record
- December 31, 2023
 - Class A Common Stock
 - 80,000,000 shares authorized
 - 21,663,091 shares outstanding
 - 13,690,886 shares public float
 - 77 shareholders of record
 - Class B Common Stock
 - 20,000,000 shares authorized
 - 5,553,696 shares outstanding
 - 0 shares public float
 - 2 shareholders of record

Item 7 The name and address of the transfer agent*.

- Broadridge Corporate Issuer Solutions, LLC
 - Transfer agent is registered under the Exchange Act
- (631) 274-2525

Part C Business Information

Item 8 The nature of the issuer's business.

- See pages 53 to 55 of the Company's Annual Report

Item 9 The nature of products or services offered.

- See pages 53 to 55 of the Company's Annual Report

Item 10 The nature and extent of the issuer's facilities.

- The Company both owns and leases office buildings and transmitter sites throughout the country.
 - See Note 6 of the financial statements

Part D Management Structure and Financial Information

Item 11 Company Insiders (Officers, Directors, and Control Persons).

A. Officers and Directors

- Edward G. Atsinger III (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Co-founder of Salem Media Group, Inc.
 - 2025 salary – \$510,603 (which includes salary and medical, dental, vision and disability premiums)
 - Shares beneficially owned – 4,762,185 shares of Class A Common Stock and 2,776,848 shares of class B common stock
 - Mr. Atsinger served as Executive Chairman of the Board and a director of each of our subsidiaries since their inception through December 31, 2025, and remains a Director of the Company. He was previously our Chief Executive Officer and a Director. He was President of Salem from its inception through June 2007. He has been engaged in the ownership and operation of radio stations since 1969 and currently serves as a Partner of Salem Broadcasting Company, Sonsinger Properties, and Sonsinger Broadcasting Company of Houston, L.P.; as the manager/member of Atsinger Aviation, LLC, Sun Air Jets, LLC, Allyson Aviation,

LLC, and Greenbelt Property Management, EGA Investments I, and EGA Investments II; and as President of Sonsinger Management, Inc. Mr. Atsinger has been a member of the board of directors of the National Religious Broadcasters for a number of years. He was also a member of the National Association of Broadcasters Radio board of directors from 2008 through 2014. In October 2018, Mr. Atsinger was elected Chairman of the Radio Music License Committee. Mr. Atsinger has been a member of the board of directors of Oaks Christian School in Westlake Village, California since 1999. Mr. Atsinger is the brother-in-law of Stuart W. Epperson (former Director). Additionally, Mr. Atsinger is the father of Edward C. Atsinger (current Director) and uncle of Stuart W. Epperson Jr. (current Director). As one of our co-founders, Mr. Atsinger provides the Board with extensive and valuable radio and senior executive leadership experience, business development experience and insight into our background and vision. His longstanding association with and service on many broadcasting-related boards of directors over the years also provides valuable radio and new media experience as well as an understanding of the broader needs and challenges facing our industry.

- David P. Santrella (Chief Executive Officer)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Employed by Salem Media Group, Inc. since 2001
 - 2025 salary – \$721,554 (which includes salary, bonus and supplemental life insurance premiums)
 - Shares beneficially owned – 342,535 shares of Class A Common Stock
- Christopher J. Henderson (EVP, Chief Legal Officer)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Employed by Salem Media Group, Inc. since 2001
 - 2025 salary – \$477,248 (which includes salary and supplemental life insurance premiums)
 - Shares beneficially owned – 200,000 shares of Class A Common Stock
- Evan D. Masyr (EVP and Chief Financial Officer)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Employed by Salem Media Group, Inc. since 2000
 - 2025 salary – \$512,759 (which includes salary and supplemental life insurance premiums)
 - Shares beneficially owned – 212,224 shares of Class A Common Stock
- Allen E. Power (President of Broadcast Media)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Employed by Salem Media Group, Inc. since 2000
 - 2025 salary – \$417,308 (which includes salary, personal use of company vehicle, and supplemental life insurance premiums)
 - Shares beneficially owned – 30,000 shares of Class A Common Stock
- Richard A. von Gnechten (current Chairman of the Board)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2025
 - 2025 board fees - \$57,500
 - Shares beneficially owned – zero shares of Class A Common Stock
 - Mr. von Gnechten is currently our Chairman of the Board and serves as WaterStone’s President. He has a passion for helping Christian leaders realize their Kingdom calling to fulfill the Great Commandment and Great Commission. Mr. von Gnechten has nearly three decades of senior financial executive experience for public (NYSE, OTC), private, Fortune 600, emerging growth, and international companies in various industries, including financial services, energy, real estate/construction, healthcare, software, diversified business and non-profit. Prior to joining WaterStone, Mr. von Gnechten spent 10-years as CFO/COO for a registered investment advisor, growing assets under management from \$400 million to \$1.2 billion. He previously spent six years running an executive consulting firm and serving as CFO to various public and private companies, providing corporate finance, capital-raising, strategic planning and transaction support services.
 - Mr. von Gnechten has also served as CFO for a 2-billion, NYSE diversified U.S. public company and previously led customer operations and strategic planning for this same Fortune 600 corporation. He operated and turned around two healthcare businesses and installed an ESOP for a professional corporation. Mr. von Gnechten has served on numerous boards (public and private), including nine years for two different Christian schools. He is a two-time graduate and trained coach of The Master’s Program. He has taught Investment and Strategic Planning as adjunct faculty for undergraduates and MBA students. Mr. von Gnechten has served as a deacon and Sunday School teacher for his Church. Rick holds a MBA from Dartmouth’s Tuck School of Business, is a Financial Management Program graduate of Stanford’s Graduate School of Business and holds a BA in Economics from the University of Denver. He and his wife Denice have three adult children and six grandchildren.

- Richard A. Riddle (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 1997
 - 2025 board fees – \$57,500
 - Shares beneficially owned – 101,891 shares of Class A Common Stock
 - Mr. Riddle was an independent businessman specializing in providing financial assistance and consulting to individuals and manufacturing companies. He was President and majority stockholder of I.L. Walker Company from 1988 to 1997 when that company was sold. He also was Chief Operating Officer and a major stockholder of Richter Manufacturing Corp. from 1970 to 1987. In 2010, Mr. Riddle joined the Board of Directors of Know the Truth, a non-profit organization that is also a customer of the Company. Having an extensive career in financial matters, Mr. Riddle brings to the Board significant financial experience enabling him to assess and provide oversight concerning business and financial matters addressed by us.
- Eric H. Halvorson (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2015
 - 2025 board fees – \$65,500
 - Shares beneficially owned – 9,800 shares of Class A Common Stock
 - Mr. Halvorson was appointed the President of Trinity International University in January 2026. In addition to his presidency, he remains Dean of Trinity Law School, a role he previously held from 2016 to 2019 before returning in 2022. Mr. Halvorson was an Adjunct Professor at the Pepperdine University School of Law for the 2006-2007, 2009-2010, 2010-2011, and 2013-2014 academic years. He was an Executive in Residence at Pepperdine University Seaver College of Letters, Arts and Sciences from 2000-2003 and from 2005-2007. Mr. Halvorson was our President and Chief Operating Officer from 2007-2008, our Chief Operating Officer from 1996-2000 and our Executive Vice President from 1991-2000. From 1991-1999 and 1985-1988, Mr. Halvorson also served as our General Counsel. Mr. Halvorson was the managing partner of the law firm of Godfrey & Kahn, S.C.-Green Bay from 1988 until 1991. From 1985 to 1988, he was our Vice President and General Counsel. From 1976 until 1985, he was an associate and then a partner of Godfrey & Kahn, S.C.-Milwaukee. Mr. Halvorson was a Certified Public Accountant with Arthur Andersen & Co. from 1971 to 1973. Mr. Halvorson was previously a member of the board of directors of Intuitive Surgical, Inc., from 2003 to 2016 and Pharmacyclics, Inc., from 2011 to 2015. Mr. Halvorson was previously our Director from 1988 to 2008. Mr. Halvorson brings valuable legal and financial expertise and extensive historical knowledge of the Company to the Board. He has also served as a board member for several for-profit companies which enables him to bring relevant cross-board experience to us.
- Heather W. Grizzle (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2019
 - 2025 board fees – \$57,500
 - Shares beneficially owned – zero shares of Class A Common Stock
 - Ms. Grizzle is the Managing Partner of Causeway Strategies, a boutique consulting firm that helps individuals, organizations and corporations to communicate, connect and advance their objectives more effectively. Her background includes work in the White House and the U.S. House of Representatives, as well as corporate communications in New York and charity sector communications in London. She graduated cum laude with high honors in Economics from Harvard University, where she was Co-President of the Institute of Politics. Ms. Grizzle is Chairman of the Board of Trustees of Stewardship America, and a member of the Boards of Innovations for Poverty Action, Alpha USA, KidsMatter, and Charityvest. Having worked in the White House and House of Representatives, Ms. Grizzle brings a unique insider's perspective relevant to our Conservative News Talk formats. Additionally, having served on several non-profit boards, Ms. Grizzle has experience related to many of our programmers and audiences.
- Stuart W. Epperson, Jr. (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2022
 - 2025 board fees – \$51,500
 - Shares beneficially owned – 113,428 shares of Class A Common Stock
 - Stuart W. Epperson Jr. is the Founder, President and CEO of Truth Broadcasting Corporation since its inception in 1998. Truth Broadcasting Corporation operates 35 signals in 8 markets including Raleigh, Greensboro, Charlotte, Richmond, Salt Lake City, Dayton, Toledo, and Myrtle Beach/Coastal Carolina in the following formats: Christian Talk (primary), Urban Gospel, Southern Gospel and Christian Spanish. Mr.

Epperson Jr. also hosts Truth Talk Live, his own nationally syndicated show. From 1995 to 1998, Mr. Epperson Jr. was a Senior Account Executive at Clear Channel Communications and from 1993 to 1995 was an Account Executive at Multimedia Radio, Inc. Mr. Epperson Jr. earned his B.A. in Communications from The Master's College in 1992 and Master of Science, Broadcast Management from Bob Jones University in 1994. Mr. Epperson Jr. is the author of "Last Words of Jesus" published by Worthy Press Publ. in 2015 and "First Words of Jesus" published by the same publisher in 2016. Additionally, Mr. Epperson Jr. currently sits on the board of directors for the National Religious Broadcasters, Persecution Project Foundation, Chesapeake-Portsmouth Broadcasting Corporation and Delmarva Educational Association. Mr. Epperson Jr. is the son of Stuart W. Epperson (former Director), the nephew of Mr. Edward G. Atsinger III and the cousin of Edward C. Atsinger. Mr. Epperson Jr. was previously a Director of the Company from 2016 to 2019. Mr. Epperson Jr. brings valuable radio and senior executive leadership experience to us. In addition, Mr. Epperson Jr.'s operation of radio stations in similar formats to ours enables him to bring relevant experience related to our audiences and programmers.

- Edward C. Atsinger (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2022
 - 2025 board fees – \$51,500
 - Shares beneficially owned – 1,090,078 shares of Class A Common Stock
 - Mr. Atsinger is co-founder and Chief Production Officer of GreYTEK, LLC, a counterintelligence and security services company focusing on the Defense and Industrial Security sectors, since 2014. A veteran of multiple combat deployments, Mr. Atsinger dedicated himself to serving the interests of national security after the terrorist attacks of September 11, 2001, serving with distinction as a professional Counterintelligence Officer assigned to and supporting the United States Intelligence and Special Operations communities. Prior to his national security career, Mr. Atsinger worked as a Senior Producer in Salem's National News and Public Affairs Department. Mr. Atsinger holds a BA/MA (Oxon) in Philosophy and Theology from Oxford University, England. He has been a member of the Board of Directors of Rockbridge Academy, a classical Christian school in Millersville, Maryland since 2010. He also currently serves as the Chairman of the Board of Trustees for the Ballet Theatre of Maryland, Maryland's premier professional ballet company, where he has been a member of the board since 2017. Mr. Atsinger is the son of Edward G. Atsinger III. Additionally, he is the cousin of Stuart W. Epperson Jr. Mr. Atsinger was previously a Director of the Company from 2016 to 2019. Mr. Atsinger brings valuable senior executive leadership experience and business development experience to the Company.
- Jacki L. Pick (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2022
 - 2025 board fees – \$53,000
 - Shares beneficially owned – zero shares of Class A Common Stock
 - Ms. Pick is the host of The Jacki Daily Show, an educational media offering created in 2014 and airing on BlazeMedia network, on the dial in Texas, and podcast across most major outlets. She appears frequently on policy and educational panels as a speaker and moderator, and on various shows and podcasts to promote education on energy and environmental issues (various cities). From 2017 to 2021, Ms. Pick also served as a Senior Fellow in energy and environment policy at the Texas Public Policy Foundation, the nation's largest state-based public policy organization. She served many years as legal counsel on Capitol Hill to the Chairman of the Subcommittee on the Constitution of the U.S. House Judiciary Committee and the former Ranking Member of the Commercial and Administrative Law Subcommittee, advising on the oversight of federal agencies and on First Amendment issues including speech and media regulation (Washington, DC). Prior to her career in Washington, she worked as a litigator defending various corporations in tort and as professional liability actions (Nashville, TN). Ms. Pick studied Economics, Spanish, and World History at Marshall University (U.S. Society of Yeager Scholars), Oxford University in England, and the University of Zaragoza in Spain. She is an alumna of the Vanderbilt University Law School, where she served as the President of the law school's Federalist Society chapter and earned a Juris Doctor degree in 2003. Ms. Pick brings a valuable insider's perspective to the Company.
- Jim B. Renacci (Director)
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Director for Salem Media Group, Inc. since 2025
 - 2025 board fees – \$53,000
 - Shares beneficially owned – 100,000 shares of Class A Common Stock
 - Mr. Renacci, along with a BS in Business Administration and 30 years of business experience, Mr. Renacci is a former Member of the United States Congress who served on the Ways and Means Committee,

Financial Services Committee, and Budget Committee. While a member of the Financial Services Committee Mr. Renacci was Vice Chairman of the Banking Sub Committee. During his tenure in Washington, he was the author of several common-sense pieces of legislation and was one of the architects of the 2017 Tax Cuts and Jobs bill. He is an entrepreneur, business owner, author, and job creator. A proven leader respected throughout Ohio, Mr. Renacci has built a positive reputation in the business community over a 30-year career. An acclaimed specialist in health care management, mergers & acquisitions, financing and banking, he has owned and operated more than 60 entities, created more than 1,500 jobs and employed more than 3,000 people. His business experience includes manufacturing, health care services, construction, entertainment and CPA consulting services.

B. Other Control Persons

- Nancy A. Epperson
 - 770 Paseo Camarillo Ste. 325, Camarillo, CA 93010
 - Shares beneficially owned – 4,530,315 shares of Class A Common Stock and 2,776,848 shares of Class B Common Stock

C. Legal/Disciplinary History.

- None noted

D. Disclosure of Family Relationships.

- Edward C. Atsinger (Director) is the son of Edward G. Atsinger III (Director)
Stuart W. Epperson, Jr. (Director) is the son of Nancy A. Epperson

E. Disclosure of Related Party Transactions.

- See Note 17 “Related Party Transactions” attached at the end of the Annual Update

Item 12 Financial information for the issuer’s most recent fiscal period.

- The annual financial statements are incorporated by reference within this Disclosure Statement.

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Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

- The annual financial statements are incorporated by reference within this Disclosure Statement. The company’s Annual Report for the fiscal year ended December 31, 2023 the Over-The-Counter markets on April 41, 2024.

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Item 14 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:

- Investment Banker
 - Not applicable
- Promoter
 - Not applicable
- Securities Counsel
 - Rutan & Tucker, LLP
 - 18575 Jamboree Road, 9th Floor
 - Irvine, CA 92612
 - (714) 641-5100

- gamber@rutan.com
- Accountant or Auditor
 - Baker Tilly LLP
 - 21700 Oxnard Street, Suite 300
 - Woodland Hills, CA 91367
 - 310-295-3795
 - Jason.Lawson@bakertilly.com
 - Services provided
 - Annual audit services Salem Media Group, Inc.
 - Management is responsible for closing the books and preparing the financial statements. The Auditors are responsible for independent audit and review services.
 - Licensing and qualifications
 - Baker Tilly LLP is registered with the Public Company Accounting Oversight Board. PCAOB ID: 659
- Public Relations Consultant
 - Not applicable
- Investor Relations Consultant
 - Not applicable
- Any other advisor(s)
 - Not applicable

Item 15 Management’s Discussion and Analysis or Plan of Operation.

- The company’s Management’s Discussion and Analysis of Financial Condition and Results of Operations are incorporated by reference within this Disclosure Statement starting on page 53.
- Off-Balance Sheet Arrangements
 - There are no off-balance sheet arrangements

Part E Issuance History

Item 16 List of securities offerings and shares issued for services in the past two years.

- The only increase to the shares of Class A Common Stock during the two years ended December 31, 2025 was from the grant of restricted shares.
 - During the years ended December 31, 2024 and 2025, there were zero and 3,815,067 restricted shares granted for Class A Common Stock and no options exercised. During the year ended December 31, 2025, the company issued 1,071,428 of Class A Common Stock as part of a minority interest investment.
 - During the year ended December 31, 2024, there were 40,000 shares for Class B Convertible Preferred Stock issued.
 - During the year ended December 31, 2025, there were 24,000 shares for Class A Redeemable Series A preferred stock issued.
 - During the years ended December 31, 2024 and 2025, there were no options for Class A Common Stock granted and exercised.

Part F Exhibits

The following exhibits must be either described in or attached to the disclosure statement:

Item 17 Material Contracts.

- None noted

Item 18 Articles of Incorporation and Bylaws.

- The Amended and Restated Certificate of Incorporation was filed on Form 8-K with the Securities and Exchange Commission on April 14, 1999. A Certificate of Amendment of Certificate of Incorporation related to the Company’s name change was filed on Form 8-K with the Securities and Exchange Commission on February 23, 2015.
- The Third Amended and Restated Bylaws were filed on Form 8-K with the Securities and Exchange Commission on September 17, 2019.

Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

- None noted

Item 20 Issuer's Certifications.

I, David P. Santrella, certify that:

1. I have reviewed this Annual disclosure statement of Salem Media Group, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 11, 2026


Chief Executive Officer

I, Evan D. Masyr, certify that:

1. I have reviewed this Annual disclosure statement of Salem Media Group, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 11, 2026



Executive Vice President and Chief Financial Officer

CERTAIN DEFINITIONS

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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.

Report of Independent Auditors

To the Stockholders and the Board of Directors
Salem Media Group, Inc.

Opinion

We have audited the consolidated financial statements of Salem Media Group, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

/s/ Baker Tilly LLP

Los Angeles, California

March 11, 2026

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

	December 31,	
	2024	2025
ASSETS		
Current assets:		
Cash and cash equivalents and restricted cash	\$ —	\$ 2,411
Accounts receivable (net of allowance for expected credit losses of \$8,071 in 2024 and \$6,784 in 2025)	28,347	21,492
Unbilled revenue	2,097	1,941
Income tax receivable	—	630
Other receivables (net of allowances for expected credit losses of \$640 in 2024 and \$340 in 2025)	2,153	3,394
Prepaid expenses	5,970	4,374
Assets held for sale	68,105	—
Total current assets	106,672	34,242
Notes receivable (net of allowance for expected credit losses \$210 in 2024 and \$147 in 2025)	5	4
Property and equipment, net of accumulated depreciation	62,699	57,630
Operating lease right-of-use assets	41,962	39,156
Financing lease right-of-use assets	57	32
Broadcast licenses	181,864	151,754
Goodwill	22,116	23,335
Amortizable intangible assets, net of accumulated amortization	2,018	3,052
Deferred financing costs	743	643
Other assets	4,976	5,686
Total assets	\$ 423,112	\$ 315,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,820	\$ 21,627
Accrued interest	104	102
Contract liabilities	13,358	13,154
Deferred rent income	108	111
Income taxes payable	112	—
Current portion of operating lease liabilities	9,688	8,179
Current portion of financing lease liabilities	30	22
Secured promissory note	72,000	—
Current portion of long-term debt	24,617	—
Total current liabilities	143,837	43,195
Long-term debt, less current portion	5,250	10,557
Operating lease liabilities, less current portion	38,687	37,485
Financing lease liabilities, less current portion	29	12
Deferred income taxes	41,001	30,226
Contract liabilities, less current portion	1,786	10,381
Deferred rent income, less current portion	3,475	3,383
Other long-term liabilities	62	2,615
Total liabilities	234,127	137,854
Commitments and contingencies (Note 14)		
Redeemable Series A preferred stock, \$0.01 par value; authorized 24,000 shares at December 31, 2024 and 2025; 0 shares issued and outstanding at December 31, 2024 and 24,000 shares issued and outstanding at December 31, 2025	—	—
Redeemable Series B convertible preferred stock, \$0.01 par value and \$1,000 liquidation value; authorized 40,000 shares, 40,000 shares issued and outstanding at December 31, 2024 and 2025	—	—
Class A common stock, \$0.01 par value; authorized 80,000,000 shares; 23,980,741 and 28,522,236 issued and 21,663,091 and 26,204,586 outstanding at December 31, 2024 and 2025, respectively	240	285
Class B common stock, \$0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2024 and 2025	56	56
Additional paid-in capital	289,573	314,532
Accumulated deficit	(66,878)	(102,391)
Accumulated other comprehensive income	—	(796)
Treasury stock, at cost (2,317,650 shares at December 31, 2024 and 2025)	(34,006)	(34,006)
Total stockholders' equity	188,985	177,680
Total liabilities and stockholders' equity	\$ 423,112	\$ 315,534

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2024	2025
Total net revenue	\$ 237,560	\$ 212,691
Operating expenses:		
Selling, general and administrative expenses (including \$2,375 and \$2,214 for the years ended December 31, 2024 and 2025, respectively, paid to related parties)	213,421	201,232
Restructuring costs	—	4,048
Unallocated corporate expenses (including \$32 and \$0 for the years ended December 31, 2024 and 2025, respectively, paid to related parties)	18,278	18,081
Depreciation and amortization	11,965	10,956
Change in the estimated fair value of contingent earn-out consideration	(27)	—
Impairment of indefinite-lived long-term assets other than goodwill	4,428	25,214
Net gain on the disposition of assets	(5,048)	(7,138)
Total operating expenses	243,017	252,393
Operating loss	(5,457)	(39,702)
Other income (expense):		
Interest income	35	123
Interest expense	(14,902)	(1,512)
Gain on troubled debt restructuring	28,656	212
Net miscellaneous income and (expenses)	21	(1,905)
Net income (loss) before income taxes	8,353	(42,784)
Benefit from income taxes	(7,826)	(8,174)
Net income (loss)	\$ 16,179	\$ (34,610)
Basic income (loss) per share data:		
Basic income (loss) per share Class A and Class B common stock	\$ 0.59	\$ (1.11)
Diluted income (loss) per share data:		
Diluted income (loss) per share Class A and Class B common stock	\$ 0.58	\$ (1.11)
Basic weighted average Class A and Class B shares outstanding	27,216,787	31,161,411
Diluted weighted average Redeemable Series B Convertible Preferred shares, Class A and Class B shares outstanding	27,859,807	31,161,411

The accompanying notes are an integral part of these consolidated financial statements.

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

	Redeemable Series A Preferred		Redeemable Series B Convertible Preferred		Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Stockholders' equity, December 31, 2023	—	—	—	—	23,980,741	\$240	5,553,696	\$56	\$249,275	(\$83,057)	\$—	(\$34,006)	\$132,508
Stock-based compensation	—	—	—	—	—	—	—	—	398	—	—	—	398
Issuance of Redeemable Series B convertible preferred stock, net of issuance costs	—	—	40,000	—	—	—	—	—	39,900	—	—	—	39,900
Net income	—	—	—	—	—	—	—	—	—	16,179	—	—	16,179
Stockholders' equity, December 31, 2024	—	—	40,000	—	23,980,741	\$240	5,553,696	\$56	\$289,573	(\$66,878)	\$—	(\$34,006)	\$188,985
Stock-based compensation	—	—	—	—	—	—	—	—	563	—	—	—	563
Restricted shares granted Redeemable Series B convertible preferred stock issuance costs	—	—	—	—	3,470,067	34	—	—	(34)	—	—	—	—
Issuance of Redeemable Series A preferred stock for conversion of unsecured debt	24,000	—	—	—	—	—	—	—	24,000	—	—	—	24,000
Issuance of shares in investment	—	—	—	—	1,071,428	11	—	—	589	—	—	—	600
Unrealized loss in investment, net of tax	—	—	—	—	—	—	—	—	—	—	(796)	—	(796)
Dividends	—	—	—	—	—	—	—	—	—	(903)	—	—	(903)
Net loss	—	—	—	—	—	—	—	—	—	(34,610)	—	—	(34,610)
Stockholders' equity, December 31, 2025	24,000	—	40,000	—	28,522,236	\$285	5,553,696	\$56	\$314,532	(\$102,391)	\$(796)	(\$34,006)	\$177,680

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2024	2025
OPERATING ACTIVITIES		
Net income (loss)	\$ 16,179	\$ (34,610)
Adjustments to reconcile net income to net cash used in operating activities:		
Stock-based compensation	398	563
Depreciation and amortization	11,965	10,956
Amortization of deferred financing costs	2,306	628
Non-cash lease expense	9,111	9,210
Accretion of acquisition-related deferred payments and contingent earn-out consideration	—	69
Provision for expected credit losses	(846)	(1,865)
Deferred income taxes	(8,347)	(10,775)
Change in the estimated fair value of contingent earn-out consideration	(27)	—
Impairment of indefinite-lived long-term assets other than goodwill	4,428	25,214
Gain on troubled debt restructuring	(28,656)	(212)
Net gain on the disposition of assets	(5,048)	(7,138)
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	3,134	6,598
Income taxes receivable	293	(630)
Prepaid expenses and other current assets	650	(572)
Accounts payable and accrued expenses	(6,171)	(939)
Operating lease liabilities	(9,204)	(8,466)
Contract liabilities	(783)	6,694
Deferred rent income	9	1
Other liabilities	4	(352)
Income tax payable	112	(112)
Net cash used in operating activities	(10,493)	(5,738)
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(5,072)	(6,001)
Capital expenditures reimbursed under tenant improvement allowances	(886)	(142)
Purchases of broadcast assets and radio stations	(3,500)	—
Equity investment in limited liability corporation	—	(3,500)
Proceeds from equity investment in limited liability corporation	—	1,319
Proceeds from sale of long-lived assets	23,747	85,374
Proceeds from secured promissory note	72,000	—
Other	89	(412)
Net cash provided by investing activities	86,378	76,638
FINANCING ACTIVITIES		
Repayment of secured promissory note	—	(72,000)
Proceeds from issuance of Redeemable Series B convertible preferred stock	40,000	—
Payments to repurchase 2028 Notes	(104,000)	—
Proceeds from borrowings under ABL Facility	212,155	137,632
Payments on ABL Facility	(223,737)	(132,324)
Payments of debt issuance costs	(705)	(296)
Payments of acquisition-related contingent earn-out consideration	(883)	(150)
Payments on financing lease liabilities	(44)	(38)
Book overdraft	1,045	(1,313)
Net cash used in financing activities	(76,169)	(68,489)
Net increase (decrease) in cash and cash equivalents	(284)	2,411
Cash and cash equivalents and restricted cash at beginning of year	284	—
Cash and cash equivalents and restricted cash at end of year	\$ —	\$ 2,411

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2024	2025
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Cash paid for interest	\$ 7,292	\$ 862
Cash paid for interest on finance lease liabilities	\$ 4	\$ 5
Cash paid for income taxes, net of refunds	\$ 116	\$ 3,504
Other supplemental disclosures of cash flow information:		
Barter revenue	\$ 3,465	\$ 2,071
Barter expense	\$ 3,665	\$ 2,617
Non-cash investing and financing activities:		
Unsecured debt converted to Series A Preferred Stock	\$ —	\$ 24,000
Issuance of Class A Common Stock for investment	\$ —	\$ 600
Right-of-use assets acquired through operating leases	\$ 6,986	\$ 12,916
Right-of-use assets acquired through financing leases	\$ 32	\$ 12
Net assets and liabilities assumed in a non-cash acquisition	\$ —	\$ 2,009
Estimated present value of contingent-earn out consideration	\$ —	\$ 1,928

The accompanying notes are an integral part of these consolidated financial statements.

SALEM MEDIA GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of 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 businesses.

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

Use of Estimates

The preparation of financial statements in conformity with General Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions as facts and circumstances dictate. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the presentation in the current year, which had no impact on the previously reported consolidated financial statements. Certain amounts in the prior year income taxes footnote have been reclassified to conform to the current year’s presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider all highly liquid debt instruments, purchased with an initial maturity of three months or less, to be cash equivalents. The carrying value of our cash and cash equivalents approximated fair value at each balance sheet date.

Accounts Receivable and Unbilled Revenue

Accounts receivable, net of allowance for expected credit losses: Accounts receivable includes amounts billed and due from our customers stated at their net estimated realizable value. Accounts receivable for our self-publishing services represent contractual amounts due under individual payment plans that are adjusted quarterly to exclude unearned or cancelable contracts.

Unbilled revenue: Unbilled revenue represents revenue recognized in excess of the amounts billed to our customer. Unbilled revenue results from differences in the Broadcast Calendar and the end of the reporting period. The Broadcast Calendar is a uniform billing period adopted by broadcasters, agencies and advertisers for billing and planning functions. The Broadcast Calendar uses a standard broadcast week that starts on Monday and ends on Sunday with the month end on the last Sunday of the calendar month. We recognize revenue based on the calendar month end and adjust for unbilled revenue when the Broadcast Calendar billings are at an earlier date as applicable. We bill our customers at the end-of-flight, end of the Broadcast Calendar or at calendar month end, as applicable, with standard payments terms of thirty days.

Allowance for Expected Credit Losses

We review accounts receivable to determine which accounts are doubtful of collection. In making the determination of the appropriate allowance for expected credit losses, we consider our history of write-offs, relationships with our customers, age of the invoices and the overall creditworthiness of our customers. We also consider-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. The allowance is based on our historical collection experience, the age of the receivables, specific customer information and current economic conditions. Past due balances are generally not written off until all collection efforts have been exhausted, including use of a collection agency. A considerable amount of judgment is required in assessing the likelihood of ultimate realization of these receivables, including the current creditworthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected. We do not include extended payment terms in our contracts with customers. For the years ended December 31, 2024 and 2025, the provision for credit losses was \$8.1 million and \$6.9 million, respectively.

Property and Equipment

We account for property and equipment in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 360-10, *Property, Plant and Equipment*. Property and equipment are recorded at cost less accumulated depreciation. Cost represents the historical cost of acquiring the asset, including the costs necessarily incurred to bring it to the condition and location necessary for its intended use. For assets constructed for our own use, such as towers and buildings that are discrete projects for which costs are separately accumulated and for which construction takes considerable time, we record capitalized interest. The amount of interest capitalized is the cost that could have been avoided had the asset not been constructed and is based on the average accumulated expenditures incurred over the capitalization period at the weighted average interest rate applicable to our outstanding variable rate debt. We capitalized interest of \$0.3 million in 2024 and \$0.2 million in 2025 based on the balance outstanding of our variable rate debt. Repair and maintenance costs are charged to expense as incurred. Improvements are capitalized if they extend the life of the asset or enhance the quality or ability of the asset to benefit operations.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Category	Estimated Life
Buildings	40 years
Office furnishings and equipment	5 -10 years
Antennae, towers and transmitting equipment	10 – 20 years
Studio, production, and mobile equipment	5 – 7 years
Computer software and website development costs	3 years
Automobiles	5 years
Leasehold improvements	Lesser of the useful life or remaining lease term

The carrying value of property and equipment is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and business units for indicators of impairment. When indicators of impairment are present, and the cash flow estimated to be generated from these assets is less than the carrying value, an adjustment to reduce the carrying value to the fair market value of the assets is recorded. See Note 5, Property and Equipment.

Internally Developed Software and Website Development Costs

We capitalize costs incurred during the application development stage related to the development of internal-use software as specified in the FASB ASC Topic 350-40 *Internal-Use Software*. Capitalized costs are generally depreciated over the estimated useful life of three years. Costs incurred related to the conceptual design, and maintenance of internal-use software are expensed as incurred. Website development activities include planning, design and development of graphics and content for new websites and operation of existing sites. Costs incurred that involve providing additional functions and features to the website are capitalized. Costs associated with website planning, maintenance, content development and training are expensed as incurred. We capitalized \$2.5 million and \$3.3 million during the years ended December 31, 2024, and 2025, respectively, related to internally developed software and website development costs. Depreciation expense of the amounts capitalized was \$2.7 million and \$3.2 million, respectively, for the years ending December 31, 2024, and 2025.

Indefinite-Lived Intangible Assets

We account for broadcast licenses and goodwill in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize broadcast licenses or goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired.

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.

We perform our annual impairment testing during the fourth quarter of each year as discussed in Note 7, Broadcast Licenses and in Note 8, Goodwill.

Amortizable Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. Typically, intangible assets are acquired in conjunction with the acquisition of broadcast, digital media and publishing businesses. These intangibles are amortized using the straight-line method over the following estimated useful lives:

Category	Estimated Life
Customer lists and contracts	Lesser of 5 years or the life of contract
Domain and brand names	5 - 7 years
Favorable and assigned leases	Lease Term
Subscriber base and lists	3 - 7 years
Author relationships	1 - 7 years
Non-compete agreements	Life of the contract

The carrying value of our amortizable intangible assets are evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. In accordance with FASB ASC Topic 360 *Property, Plant and Equipment*, when indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying amounts of these assets, an adjustment to reduce the carrying value to the fair market value of these assets is recorded, if necessary. No adjustments to the carrying amounts of our amortizable intangible assets were necessary during the years ended December 31, 2024 and 2025.

Disposition of Nonfinancial Assets

Gains or losses on sales of long-lived and indefinite-lived assets are recognized pursuant to the provisions included in ASC 610-20, *Other Income*. Under ASC 610-20, we must first determine whether the transaction is a sale to a customer or non-customer. We typically sell long-lived and indefinite-lived assets on a selective basis and not within the ordinary course of our operating business and therefore expect that our sale transactions will not be contracts with customers. We next determine whether we have a controlling financial interest in the assets after the sale, consistent with the consolidation model in ASC 810, *Consolidation*. If we determine that we do not have a controlling financial interest in the assets, we evaluate whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. We recognize a full gain or loss on sale, which is presented in (gain) loss on disposition of assets within the consolidated statements of operations, when the derecognition criteria under ASC 610-20 have been met.

Deferred Financing Costs

Deferred financing costs incurred in conjunction with debt obligations are amortized to non-cash interest expense over the term of the agreement using the effective interest method. Deferred financing costs related to the Asset Based Loan Facility (“ABL Facility”) are reflected in long term assets net of accumulated amortization.

Income Tax Valuation Allowances (Deferred Taxes)

We account for income taxes in accordance with FASB ASC Topic 740 *Income Taxes*. In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax exposure and assessing temporary differences resulting from differing treatment of items for tax and financial statement purposes. We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed, and the tax implications are known. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such a determination. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

During 2024, we released a portion of the valuation allowance due to the use of net operating loss carryforwards in the prior year as well as for changes in the expected utilization of the net operating loss carryforwards due to income anticipated in future years for the sale of assets that management has determined is more likely than not to be realized.

For financial reporting purposes, we recorded a valuation allowance of \$23.6 million as of December 31, 2025, to offset \$18.4 million of the deferred tax assets related to federal and state net operating loss carryforwards of \$6.3 million and \$12.1 million respectively, along with \$3.1 million of other financial statement accruals. This balance represents an increase of \$2.5 million during the year, from \$21.1 million valuation allowance as of December 31, 2024.

We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Income Taxes and Uncertain Tax Positions

We are subject to audit and review by various taxing jurisdictions. We may recognize liabilities on our financial statements for positions taken on uncertain tax positions. When tax returns are filed, it is highly certain that some positions taken would be

sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. It is inherently difficult and subjective to estimate such amounts, as this requires us to make estimates based on the various possible outcomes. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, we believe it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

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. During the year ended December 31, 2025, we settled an uncertain tax position related to our subsidiary Salem Communications Holding Company's Pennsylvania tax filing that was previously disclosed in the financial statements. The position related to the application of Pennsylvania Notice 2016-01 which provides guidance for reversal of intercompany interest income and associated expense. As part of the settlement, we paid amounts in excess of the previously recorded liability for uncertain tax positions. The excess payment, including related interest and penalties, was recognized as income tax expense in the year ended December 31, 2025. The settlement resulting in the reversal of the remaining liability associated with this uncertain tax position as of December 31, 2025.

Effective Tax Rate

Our provision for income tax as a percentage of operating income before taxes, or our effective tax rate, may be impacted by:

- (1) changes in the level of income in any of our taxing jurisdictions;
- (2) changes in statutes and rules applicable to taxable income in the jurisdictions in which we operate;
- (3) changes in the expected outcome of income tax audits;
- (4) changes in the estimate of expenses that are not deductible for tax purposes;
- (5) income taxes in certain states where the states' current taxable income is dependent on factors other than consolidated net income;
- (6) the addition of operations in states that on average have different income tax rates from states in which we currently operate; and
- (7) the effect of previously reported temporary differences between the tax bases and financial reporting bases of assets and liabilities.

Our annual effective tax rate may also be materially impacted by tax expense associated with non-amortizable assets such as broadcast licenses and goodwill as well as changes in the deferred tax valuation allowance.

Business Acquisitions

We account for business acquisitions in accordance with the acquisition method of accounting as specified in FASB ASC Topic 805 *Business Combinations*. The total acquisition consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. The total acquisition consideration is equal to the sum of all cash payments, the fair value of any deferred payments and promissory notes, and the present value of any estimated contingent earn-out consideration. Estimates of the fair value include discounted estimated cash flows to be generated by the acquired assets over their expected useful lives based on historical experience, market trends, and any synergies believed to be achieved from the acquisition.

Acquisitions may include contingent consideration, the fair value of which is estimated as of the acquisition date as the present value of the contingent payments expected to be made using a weighted probability of possible payments. The unobservable inputs used in the determination of the fair value of the contingent earn-out consideration include our own assumptions about the likelihood of payment based on the established benchmarks and discount rates based on our internal rate of return analysis.

We may retain a third-party appraiser to estimate the fair value of the acquired net assets as of the acquisition date. As part of the valuation and appraisal process, the third-party appraiser prepares a report assigning estimated fair values to the various assets acquired. These fair value estimates are subjective in nature and require careful consideration and judgment. Management reviews the third-party reports for reasonableness of the assigned values. We believe that these valuations and analysis provide appropriate estimates of the fair value for the net assets acquired as of the acquisition date.

The initial valuations for business acquisitions are subject to refinement during the measurement period, which may be up to one year from the acquisition date. During this measurement period, we may retroactively record adjustments to the net assets acquired based on additional information obtained for items that existed as of the acquisition date. Upon the conclusion of the measurement period, any adjustments are reflected in our Consolidated Statements of Operations. To date, we have not recorded adjustments to the estimated fair values used in our business acquisition consideration during or after the measurement period. Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred. We incurred acquisition related costs of \$0.04 million and \$0.1 million in each of the years ended December 31, 2024, and 2025, respectively.

Property and equipment are recorded at the estimated fair value and depreciated on a straight-line basis over their estimated useful lives. Finite-lived intangible assets are recorded at their estimated fair value and amortized on a straight-line basis over their estimated useful lives. Goodwill, which represents the organizational systems and procedures in place to ensure the effective operation of the business, may also be recorded and tested for impairment.

Transactions that do not meet the definition of a business are recorded as asset purchases. Asset purchases are recognized based on their cost to acquire, including transaction costs. The cost to acquire an asset group is allocated to the individual assets acquired based on their relative fair value with no goodwill recognized. A majority of our radio station acquisitions have consisted primarily of the FCC licenses to broadcast in a particular market with a substantial portion of the purchase price allocated to the broadcast license. We often do not acquire the existing format, or we change the format upon acquisition. As a result, we account for the majority of our radio station acquisitions as asset purchases.

Partial Self-Insurance on Employee Health Plan

We provide health insurance benefits to eligible employees under a self-insured plan whereby we pay actual medical claims subject to certain stop loss limits. We record self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Our estimates are based on historical data and probabilities. Any projection of losses concerning our liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as future inflation rates, changes in severity, benefit level changes, medical costs, and claim settlement patterns. Should the actual amount of claims increase or decrease beyond what was anticipated, we may adjust our future reserves. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates.

The following table presents the changes in our partial self-insurance reserves:

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Balance, beginning of year	\$ 639	\$ 637
Self-funded costs	10,003	13,299
Claims paid	(10,005)	(13,296)
Ending year balance	<u>\$ 637</u>	<u>\$ 640</u>

Fair Value Measurements and Disclosures

As of December 31, 2024 and 2025, 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 value of the ABL Facility approximates fair value as the related interest rates approximate rates currently available to the company.

Troubled Debt Restructuring Accounting

The evaluation for troubled debt restructuring includes assessing whether we are experiencing significant financial difficulties and whether the creditor granted a concession. To determine this, we calculate the post-restructuring effective interest rate by projecting cash flows on the new terms plus the fair value of any sweeteners issues and calculating a discount rate equal to the carrying amount of pre-restructuring debt and comparing this calculation to the terms of prior amendments. Sweeteners include warrants, options or conversion features, and are deemed to be issued at the restructuring date regardless of when they are exercisable. If the post restructuring effective interest rate is less than the prior terms effective interest rate, we assess this as having been granted a concession. We then apply troubled debt restructuring accounting to any debt in which the creditor granted a concession.

Contingency Reserves

In the ordinary course of business, we are involved in various legal proceedings, lawsuits, arbitrations, and other claims which are complex in nature and have outcomes that are difficult to predict. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters.

We record contingency reserves to the extent we conclude that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. The establishment of the reserve is based on a review of all relevant factors, the advice of legal counsel, and the subjective judgment of management. The reserves we have recorded to date have not been material to our consolidated financial position, results of operations, or cash flows. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

While we believe that the final resolution of any known matters, individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations, or cash flows, it is possible that we could incur additional losses. We maintain insurance that may provide coverage for such matters. Future claims against us, whether

meritorious or not, could have a material adverse effect upon our consolidated financial position, results of operations or cash flows, including losses due to costly litigation and losses due to matters that require significant amounts of management time that can result in the diversion of significant operational resources. See Note 14, Commitments and Contingencies.

Revenue Recognition

We recognize revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. FASB ASC Topic 606 is a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to our customers at an amount that reflects the consideration that we expect to receive.

Significant management judgments and estimates must be made in connection with determining the amount of revenue to be recognized in any accounting period. We must assess the promises within each sales contract to determine if they are distinct performance obligations. Once the performance obligation(s) are determined, the transaction price is allocated to the performance obligation(s) based on a relative standalone selling price basis. If a sales contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price. If the stand-alone selling price is not determinable, an estimate is used. We make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns.

Stock-Based Compensation

We account for stock-based compensation under the provisions of FASB ASC Topic 718, *Compensation—Stock Compensation*. We record equity awards with stock-based compensation measured at the fair value of the award as of the grant date. We determine the fair value of our options using the Black-Scholes option-pricing model that requires the input of highly subjective assumptions, including the expected stock price volatility and expected term of the options granted. The exercise price for options is equal to the closing market price of Salem Media Group common stock as of the date of the grant. We use the straight-line attribution method to recognize share-based compensation costs over the expected service period of the award. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock awards, deferred tax assets for options and restricted stock awards with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each vesting period was a separate award. See Note 15, Stock Incentive Plan.

Advertising and Promotional Cost

Costs of media advertising and associated production costs are expensed as incurred and amounted to \$12.5 million and \$10.5 million for the years ended December 31, 2024, and 2025, respectively.

Leases

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

Accounting Policy Elections under FASB ASC Topic 842 Leases

Lease Term

The lease term can materially impact the value of the Right-of-Use (“ROU”) assets and lease liabilities recorded on our balance sheet as required under FASB ASC Topic 842. We calculate the term for each lease agreement to include the noncancellable period specified in the agreement together with (1) the periods covered by options to extend the lease if we are reasonably certain to exercise that option, (2) periods covered by an option to terminate if we are reasonably certain not to exercise that option and (3) period covered by an option to extend (or not terminate) if controlled by the lessor. The assessment of whether we are reasonably certain to exercise an option to extend a lease requires significant judgement surrounding contract-based factors, asset-based factors, business-based factors, and market-based factors. We have not modified our estimate methodology since adopting FASB ASC Topic 842 on January 1, 2019.

Lease Payments

Lease payments consist of the following payments (as applicable) related to the use of the underlying asset during the lease term:

- Fixed payments, including in substance fixed payments, less any lease incentives paid or payable to the lessee.
- Variable lease payments that depend on an index or a rate, such as the Consumer Price Index or a market interest rate.
- The exercise price of an option to purchase the underlying asset if the lessee is reasonably certain to exercise that option.

- Payments for penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.
- Fees paid by the lessee to the owners of a special-purpose entity for structuring the transaction.
- For a lessee only, amounts probable of being owed by the lessee under residual value guarantees.

Short-Term Lease Exemption

We exclude short-term leases, or leases with a term of twelve months or less that do not contain a purchase option that we are reasonably certain to exercise, from our ROU asset and lease liability calculations.

We consider the applicability of the short-term exception on month-to-month leases with perpetual or rolling renewals as we are “reasonably certain” to continue the lease. For example, we lease various storage facilities under agreements with month-to-month terms that have continued over several years. The standard terms and conditions for a majority of these agreements allow either party to terminate within a notice period ranging from 10 to 30 days. There are no cancellation penalties other than the potential loss of a one-month rent or a security deposit if the termination terms are not adhered to.

We believe that these month-to-month leases qualify for the short-term exception to FASB ASC Topic 842 because either party can terminate the agreement without permission from the other party with no more than an insignificant penalty, therefore, the arrangements do not create enforceable rights and obligations. Additionally, the cost to move to a new location or find comparable facilities is low as there are no unique features of the storage facilities that impact our businesses. We consider termination clauses, costs associated with moving, and costs associated with finding alternative facilities to exclude month-to-month leases that have perpetually renewed.

Service Agreements with an Embedded Lease Component

We exclude certain service agreements that contain embedded leases for equipment based on the immaterial impact of these agreements. Our analysis includes cable and satellite television service agreements for which our monthly payment may include equipment rentals, coffee and water service at certain facilities that may include equipment rentals (we often meet minimum requirements and just pay for product used), security services that include a monthly fee for cameras or equipment, and other similar arrangements. Based on the insignificant amount of the monthly lease costs, we exclude these agreements from our ROU asset and liability calculations due to the immaterial impact to our consolidated financial statements.

Incremental Borrowing Rate

The ROU asset and related lease liabilities recorded under FASB ASC Topic 842 are calculated based on the present value of the lease payments using (1) the rate implicit in the lease or (2) the lessee’s IBR, defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. As most leases do not provide an implicit rate, we estimate the IBR applicable to Salem using significant judgement and estimates, including the estimated value of the underlying leased asset, and the (a) credit history of Salem Media Group, (b) the credit worthiness of Salem Media Group, (c) the class of the underlying asset and the remaining term of the arrangement, and (d) the debt incurred under the lease liability as compared to amounts that would be borrowed.

We developed a matrix to estimate the IBR for each lease class. We review the IBR estimates on a quarterly basis and update as necessary. Our analysis requires the use of significant judgement and estimates, including the estimated value of the underlying leased asset. We have not modified our estimate methodology and we have not recognized significant changes in our estimates.

Portfolio Approach

We apply a portfolio approach by applying a single IBR to leases with reasonably similar characteristics, including the remaining lease term, the underlying assets, and the economic environment. We believe that applying the portfolio approach is acceptable because the results do not materially differ from the application of the leases model to the individual leases in that portfolio.

Sales Taxes and Other Similar Taxes

We do not evaluate whether sales taxes or other similar taxes imposed by a governmental authority on a specific lease revenue-producing transaction that are collected by the lessor from the lessee are the primary obligation of the lessor as owner of the underlying leased asset. A lessor that makes this election will exclude these taxes from the measurement of lease revenue and the associated expense. Taxes assessed on a lessor’s total gross receipts or on the lessor as owner of the underlying asset (e.g., property taxes) are excluded from the scope of the policy election. A lessor must apply the election to all taxes in the scope of the policy election and would provide certain disclosures.

Separating Consideration between Lease and Non-Lease Components

We include the lease and non-lease components (or the fixed and variable consideration) as a single component accounted for as a lease. This practical expedient is elected by class of underlying assets as an accounting policy election and applies to all arrangements in that class of underlying assets that qualify for the expedient. FASB ASC Topic 842 provides this expedient to alleviate concerns that the costs and administrative burden of allocating consideration to the separate lease and non-lease components may not justify the benefit of more precisely reflecting the ROU asset and the lease liability.

Contracts that include lease and non-lease components that are accounted for under the election not to separate require that all components that qualify for the practical expedient be combined. The components that do not qualify, such as those for which the timing and pattern of transfer of the lease and associated non-lease components are not the same, are accounted for separately.

Accounting for a lease component of a contract and its associated non-lease components as a single lease component results in an allocation of the total contract consideration to the lease component. Therefore, the initial and subsequent measurement of the lease liability and ROU asset is greater than if the policy election was not applied. The greater ROU asset value is considered in our impairment analysis.

Leasehold Improvements

We may construct or otherwise invest in leasehold improvements to properties. The costs of these leasehold improvements are capitalized and depreciated over the shorter of the estimated useful life of the improvement or the lease term including anticipated renewal periods.

(Gain) Loss on the Disposition of Assets

We record gains or losses on the disposition of assets equal to the proceeds, if any, as compared to the net book value. Exchange transactions are accounted for in accordance with FASB ASC Topic 845 *Non-Monetary Transactions*.

Basic and Diluted Net Earnings Per Share

Basic net earnings per share have been computed using the weighted average number of Redeemable Series B Convertible Preferred, Class A and Class B shares of common stock outstanding during the period. Diluted net earnings per share is computed using the weighted average number of shares of Redeemable Series B Convertible Preferred, Class A and Class B common stock outstanding during the period plus the dilutive effects of stock options.

The following table sets forth the shares used to compute basic and diluted net earnings per share for the periods indicated:

	Year Ended December 31,	
	2024	2025
Numerator		
Net income (loss) attributable to Salem Media Group, Inc.	16,179	(34,610)
Less: Earnings allocated to participating securities	—	—
Net income (loss) for basic and diluted EPS	16,179	(34,610)
Denominator		
Basic weighted-average common shares outstanding	27,216,787	31,161,411
Add: stock options	—	—
Add: Redeemable Series B Convertible Preferred Stock	643,020	—
Diluted weighted-average common shares outstanding	27,859,807	31,161,411
Basic net income (loss) per share	0.59	(1.11)
Diluted net income (loss) per share	0.58	(1.11)

The Company's Redeemable Series B Convertible Preferred Stock is considered to be a participating security. Computation of EPS under the two-class method excludes any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

Options to purchase 2,516,690 and 2,080,500 shares of Class A common stock were outstanding at December 31, 2024, and 2025, respectively. Diluted weighted average shares outstanding exclude outstanding stock options whose exercise price is in excess of the average price of the company's stock price. These options are excluded from the respective computations of diluted net income or loss per share because their effect would be anti-dilutive.

Segment Reporting

We have one operating and reportable segment and present the comparative periods on a consolidated basis to reflect the one reportable segment. We consider the Chief Operating Decision Maker (“CODM”) to be a collective group of senior executives. The Company’s CODM is regularly provided financial information consistent with the Consolidated Statement of Operations presented within.

The CODM reviews many metrics including but not limited to consolidated net income/loss and Adjusted EBITDA as profitability measures for purposes of making operating decisions, assessing financial performance and allocating resources. In addition to these financial metrics, the CODM will review metrics such as audience trends and changes in profit margins. Further, the CODM reviews and utilizes selling, general and administrative expenses, and corporate expenses at the consolidated level to manage the Company’s operations.

We continually review our business unit classifications to align with operational changes in our business and may make changes as necessary.

Variable Interest Entities

We may enter into agreements or investments with other entities that could qualify as Variable Interest Entities (“VIEs”) in accordance with FASB ASC Topic 810 *Consolidation*. A VIE is consolidated in the financial statements if we are deemed to be the primary beneficiary. The primary beneficiary is the entity that holds the majority of the beneficial interests in the VIE, either explicitly or implicitly. A VIE is an entity for which the primary beneficiary’s interest in the entity can change with variations in factors other than the amount of investment in the entity. We perform our evaluation for VIE’s upon entry into the agreement or investment. We re-evaluate the VIE when or if events occur that could change the status of the VIE.

We may enter into lease arrangements with entities controlled by our principal stockholders or other related parties. We believe that the requirements of FASB ASC Topic 810 do not apply to these entities because the lease arrangements do not contain explicit guarantees of the residual value of the real estate, do not contain purchase options or similar provisions and the leases are at terms that do not vary materially from leases that would have been available with unaffiliated parties. Additionally, we do not have an equity interest in the entities controlled by our principal stockholders or other related parties, and we do not guarantee debt of the entities controlled by our principal stockholders or other related parties.

We also enter into Local Marketing Agreements (“LMAs”) or Time Brokerage Agreements (“TBAs”) contemporaneously with entering into an Asset Purchase Agreement (“APA”) to acquire or sell a radio station. Typically, both LMAs and TBAs are contractual agreements under which the station owner/licensee makes airtime available to a programmer/licensee in exchange for a fee and reimbursement of certain expenses. LMAs and TBAs are subject to compliance with the antitrust laws and the communications laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the communications laws as long as the licensee of the station receiving programming from another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the communications laws.

The requirements of FASB ASC Topic 810 may apply to entities under LMAs or TBAs, depending on the facts and circumstances related to each transaction. As of December 31, 2025, we did not have implicit or explicit arrangements that required consolidation under the guidance in FASB ASC Topic 810.

Concentrations of Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents; accounts receivable and derivative instruments. We place our cash and cash equivalents with high quality financial institutions. Such balances may be in excess of the Federal Deposit Insurance Corporation insured limits. To manage the related credit exposure, we continually monitor the credit worthiness of the financial institutions where we have deposits. Concentrations of credit risk with respect to accounts receivable are limited due to the wide variety of customers and markets in which we provide services, as well as the dispersion of our operations across many geographic areas. We perform ongoing credit evaluations of our customers, but generally do not require collateral to support customer receivables. We establish an allowance for expected credit losses based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions, and other information. Historically, our bad debt expense has been within management’s expectations.

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

Recent Accounting Pronouncements

Changes to accounting principles are established by the 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 2025

In December 2023, the FASB issued Update 2023-09 - *Income Taxes* (Topic 740): Improvements to Income Tax Disclosures, which enhances the disclosure requirements for income tax rate reconciliation, domestic and foreign income taxes, and unrecognized tax benefits. The amendments of ASU 2023-09 are effective for annual periods beginning after December 15, 2024. Early adoption is permitted and should be applied prospectively. We adopted ASU 2023-09 for the year ended December 31, 2025, and applied the new disclosure requirements retrospectively to the current annual period. Prior period disclosures have not been adjusted to reflect the new disclosure requirements retrospectively. Prior period disclosures have been adjusted to reflect the current year presentation. See Note 13 Income Taxes in the accompanying notes to the consolidated financial statements for further details.

Recent Accounting Standards or Update Not Yet Effective

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software.* Under this ASU, all references to prescriptive and sequential software development stages are eliminated and capitalization of software costs is required to start when management has authorized and committed to funding the software project and it is probable that the project will be completed and the software will be used to perform the function intended. This standard is effective for annual reporting periods beginning after December 15, 2027 and for interim periods within those fiscal years. We are currently evaluating the impact of this standard on our annual disclosures, including timing of adoption.

In July 2025, the FASB issued guidance that provides the option to elect a practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. This amendment is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. We do not expect the new guidance to have a significant impact on the financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)*. The standard requires further disaggregation of relevant expense captions in a separate note to the financial statements. The standard is effective for annual reporting periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact of this standard on our annual disclosures, including timing of adoption.

NOTE 3. RECENT TRANSACTIONS

During the years ended December 31, 2024 and 2025, we completed the following transactions:

Related Party Transaction

On May 25, 2023, we sold 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 to a related party. On February 26, 2024, we repurchased the economic interests in the leases for \$3.5 million and sold the transmitter site for \$3.0 million, resulting in a combined pre-tax loss of \$1.0 million.

Debt Transactions

On July 28, 2025, we amended our agreement with Siena Lending Group, Inc. to add additional real property owned by Salem Radio Properties, Inc. to the collateral under the loan agreement, which increases the borrowing base and therefore the amount that we can borrow under the loan agreement.

On December 23, 2024, the buyer of our remaining seven Contemporary Christian Music (“CCM”) radio stations, loaned the company \$72.0 million via a promissory note at the time of signing. The interest on the note was 0% through June 30, 2025, at which point the interest rate will be SOFR +1%. On April 4, 2025, we repaid the promissory note.

On December 23, 2024, we issued subordinated debt of \$24.0 million with the holder of the 2028 Notes. The unsecured debt was scheduled to automatically convert to Series A Preferred Stock at the earlier of the consummation of the asset sales noted above or on June 22, 2025. The interest rate on the debt was 5%, which can be paid in cash or paid in kind. On April 4, 2025 we consummated the asset sale and the note converted to Series A Preferred stock.

On December 23, 2024, we repurchased \$159.4 million of the 2028 Notes for \$104.0 million in cash and issuance of \$24 million of unsecured debt, recognizing a gain of \$28.7 million. Refer to Note 12 of our Consolidated Financial Statements under this annual report for details of these transactions.

Acquisitions

On August 1, 2025, we closed on the acquisition of the Jim Fink financial newsletter products for no cash. We assumed the fulfillment liability of the subscriptions and will pay the seller a percentage of certain net sales through July 31, 2028. We recorded \$2.2 million of goodwill, a contingent earn-out of \$2.0 million and paid \$0.2 million of the contingent earn-out in advance at closing. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media business.

On April 8, 2025, we acquired a 30% stake in MxM News for 1,071,428 shares of Salem Class A common stock valued at \$0.6 million. The investment of \$0.6 million at December 31, 2025 is reflected at cost in other assets.

We invested \$5.0 million in a limited liability company that will own, distribute, and market a motion picture. The film was released in October 2025, to which we received \$1.3 million in proceeds. Due to lower ticket sales we recorded a \$2.3 million impairment at December 31, 2025. The investment of \$1.4 million at December 31, 2025 is reflected at cost in other assets.

A summary of our business acquisition during the year ended December 31, 2025, which is not material to our consolidated financial position as of the respective date of acquisition is as follows:

<u>Acquisition Date</u>	<u>Description</u>	<u>Total Consideration</u> <i>(Dollars in thousands)</i>
August 1, 2025	Jim Fink (business acquisition)	\$ 2,009

The total purchase price consideration for our business acquisitions and asset purchases during the year ended December 31, 2025, is as follows:

<u>Description</u>	<u>Total Consideration</u> <i>(Dollars in thousands)</i>
Fair value of contingent earn-out consideration	\$ 2,009
Total purchase price consideration	\$ 2,009

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.

<u>Total Net Assets Acquired</u> <i>(Dollars in thousands)</i>	
Assets	
Goodwill	\$ 2,166
Domain and brand names	1,388
Subscriber base and lists	1,280
Liabilities	
Contract liabilities	(2,825)
	<u>\$ 2,009</u>

Divestitures

On December 19, 2025, we sold our FM translator in Greenville, South Carolina for \$0.3 million, resulting in a pre-tax gain of \$0.2 million.

On October 31, 2025, we sold our radio stations in Honolulu, Hawaii for \$2.0 million, resulting in a pre-tax loss of \$4.1 million.

On July 1, 2025, we sold Salem Author Services for \$0.1 million, resulting in a pre-tax loss of \$1.3 million plus \$0.4 million in future payments.

On April 4, 2025, we sold our remaining seven Contemporary Christian Music (“CCM”) stations for \$80.0 million, resulting in a pre-tax gain of \$11.1 million. We entered into a separate marketing agreement with the same counterparty for \$10.0 million whereby the buyer will be able to promote its stations and events on our platforms for five years. The buyer loaned the company \$72.0 million via a Secured Promissory Note on December 30, 2024 which was repaid upon the closing of the sale.

On February 21, 2025, we sold our office building in Greenville, South Carolina for \$1.0 million in cash, resulting in a pre-tax gain of \$0.6 million.

On January 14, 2025, we sold an easement and our economic interest in a tower lease in our Nashville, Tennessee market for \$1.0 million, resulting in a pre-tax gain of \$0.8 million.

On January 6, 2025, we sold radio station KZTS-AM and two FM translators in Little Rock, Arkansas for \$0.7 million, resulting in a pre-tax gain of \$0.5 million. We entered into a Local Marketing Agreement (“LMA”) which began on September 22, 2024.

On November 21, 2024, we sold radio station KKSP-FM in Little Rock, Arkansas for \$1.6 million, resulting in a pre-tax gain of \$0.4 million. The radio station had been programmed under a LMA since September 1, 2024.

On October 9, 2024 we closed on the sale of an easement and our economic interest in a lease in our Pittsburgh, Pennsylvania market for \$0.9 million, resulting in a pre-tax gain of \$0.8 million.

On September 18, 2024, we sold a building in Honolulu, Hawaii for \$3.5 million, resulting in pre-tax loss of \$1.8 million.

On June 26, 2024, we sold three radio stations in Nashville, Tennessee and one radio station in Honolulu, Hawaii for \$7.0 million, resulting in pre-tax gain of \$3.8 million. We incurred additional costs during the third quarter, reducing the pre-tax gain by \$0.2 million in the quarter.

On June 3, 2024, we sold land in Apopka, Florida for \$0.6 million, resulting in a pre-tax loss of \$0.3 million.

On June 1, 2024, we sold an FM translator in our Greenville, South Carolina site for \$0.4 million, resulting in a pre-tax gain of \$0.2 million.

On May 3, 2024, we entered into a sale leaseback agreement for our corporate headquarters building for \$5.5 million, resulting in a pre-tax gain of \$0.4 million. The related lease was for five years at \$0.4 million in annual lease payments. On November 3, 2025 we paid \$1.2 million to terminate the lease and relocate our corporate headquarters.

On February 23, 2024, we sold the transmitter site in Greenville, South Carolina for \$3.0 million. We repurchased the economic interests in the leases at our Greenville, South Carolina radio transmitter site for \$3.5 million from a related party, resulting in a combined pre-tax loss of \$1.0 million.

On February 20, 2024, we received \$1.2 million from the sale of our shares of Broadcast Music, Inc.

NOTE 4. REVENUE RECOGNITION

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

The following table presents our revenues disaggregated by revenue source as follows:

	Year Ended December 31,	
	2024	2025
<i>(Dollars in thousands)</i>		
By Source of Revenue:		
Block Programming – National	\$ 53,052	\$ 53,129
Block Programming – Local	22,275	20,859
Broadcast Programming Revenue	75,327	73,988
Spot Advertising – National	11,852	4,868
Spot Advertising – Local	33,173	17,800
Network Advertising	18,602	18,082
Broadcast Advertising Revenue	63,627	40,750
Infomercials	499	470
Other Revenue	7,665	5,888
Other Broadcast Revenue	8,164	6,358
Digital Advertising	47,092	54,096
Digital Streaming	8,476	7,878
Digital Downloads	7,356	6,585
Digital Subscriptions	20,009	19,310
Other Digital Revenue	856	560
Digital Revenue	83,789	88,429

Book Sales	1,279	588
Estimated Sales Returns & Allowances	(16)	—
Net Book Sales	1,263	588
E-Book Sales	(52)	—
Self-Publishing Fees	5,532	2,554
Other Publishing Revenue	(90)	24
Publishing Revenue	6,653	3,166
Total Revenue	\$ 237,560	\$ 212,691
Timing of Revenue Recognition		
Point in Time	\$ 235,776	\$ 210,705
Rental Income (1)	1,784	1,986
Total Revenue	\$ 237,560	\$ 212,691

- (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 Consolidated Financial Statements within this annual report.

A summary of each of our revenue streams is as follows:

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

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

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

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

Broadcast digital advertising revenue consists of local digital advertising, such as the sale of banner advertisements on our owned and operated websites, the sale of advertisements on our owned and operated mobile applications, and advertisements in digital newsletters that we produce, as well as national digital advertising, or the sale of custom digital advertising solutions, such as web pages and social media campaigns that we offer to our customers. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

Salem Surround, our national multimedia advertising agency, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites and provides a full-service multimedia marketing strategy for each of our clients. In our role as a multimedia advertising agency, our sales team provides our customers with integrated digital advertising solutions that optimize the performance of their campaign, which we view as one performance obligation. We provide custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital advertising solutions may include third-party websites, such as Google or Facebook, which can be included in a digital advertising social media campaign. We

manage all aspects of the digital campaign, including social media placements, review and approval of target audiences, and the monitoring of actual results to make modifications as needed. We may contract directly with a third-party, however, we are responsible for delivering the campaign results to our customer with or without a third-party. We are responsible for any payments due to the third-party regardless of the campaign results and without regard to the status of our payment from our customer. We have discretion in setting the price to our customer without input or approval from the third-party. Accordingly, revenue is reported gross, as principal, as the performance obligation is delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation.

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

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

Subscriptions. We recognize revenue from the sale of subscriptions for financial publication digital newsletters, conservative and Christian news and commentary through Townhall VIP and Salem Web Plus, podcast subscriptions for on-air content, and video subscriptions through SalemNOW. Subscription terms typically range from one month to two years. Refunds are considered on a pro-rata basis based on the number of publications issued and delivered or length of time. Payments are due in advance of delivery and can be made in full upon subscribing or in quarterly installments. Cash received in advance of the subscription term, including amounts that are refundable, is recorded in contract liabilities. Revenue is recognized ratably over the subscription term. Revenue is reported net of estimated cancellations, which are based on our experience and historical cancellation rates during the cancellable period.

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

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

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

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

Principal versus Agent Considerations

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

Contract Assets

Contract Assets – Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in the 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 December 31, 2024 and 2025, our prepaid commission expense was \$0.6 million and zero, respectively.

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
	<i>(Dollars in thousands)</i>	
Balance, beginning of year January 1, 2025	\$ 13,358	\$ 1,786
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(10,101)	—
Additional amounts recognized during the year	25,721	10,039
Revenue recognized during the period that was recorded during the year	(17,268)	—
Transfers	1,444	(1,444)
Balance, end of year December 31, 2025	\$ 13,154	\$ 10,381
Amount refundable at beginning of year	\$ 13,358	\$ 1,786
Amount refundable at end of year	\$ 13,154	\$ 10,381

We expect to satisfy these performance obligations as follows:

	Amount
For the Year Ended December 31,	<i>(Dollars in thousands)</i>
2026	\$ 13,154
2027	1,457
2028	357
2029	119
2030	48
Thereafter	8,400
	\$ 23,535

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 January 1, 2026, and December 31, 2030. 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 revenue and expenses are as follows:

	Year Ended	
	December 31,	
	2024	2025
Net broadcast barter revenue	\$ 3,465	\$ 2,071
Net broadcast barter expense	\$ 3,665	\$ 2,617

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,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Buildings	\$ 14,774	\$ 14,166
Office furnishings and equipment	32,650	29,601
Antennae, towers and transmitting equipment	74,339	73,867
Studio, production, and mobile equipment	32,050	30,750
Computer software and website development costs	35,841	37,390
Automobiles	1,632	1,472
Leasehold improvements	20,493	19,648
	\$ 211,779	\$ 206,894
Less accumulated depreciation	(177,998)	(177,073)
	33,781	\$ 29,821
Land	\$ 23,186	23,063
Construction-in-progress	5,732	4,746
	<u>\$ 62,699</u>	<u>\$ 57,630</u>

Depreciation expense was approximately \$10.4 million and \$9.3 million for the years ended December 31, 2024, and 2025, respectively. We periodically review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. This review requires us to estimate the fair value of the assets using significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. There were no indications of impairment during the years ended December 31, 2024 and 2025.

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

Leasing Transactions

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

Operating leases are reflected on our balance sheet within operating lease ROU assets and the related current and non-current operating lease liabilities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from lease agreement. Operating lease ROU assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectation regarding the lease terms. Variable lease costs, such as common area maintenance, property taxes and insurance, are expensed as incurred. There were no indications of impairment during the year ended December 31, 2025.

The various discount rates are based on our incremental borrowing rate due to the rate implicit in the leases not being readily determinable. The incremental borrowing rate is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. We used publicly available information about low-grade debt, adjusted for the effect of collateralization, to determine the various rates it would pay to finance transactions over similar time periods.

Balance Sheet

Supplemental balance sheet information related to leases is as follows:

Operating Leases	December 31, 2025		
	<i>(Dollars in thousands)</i>		
	Related Party	Other	Total
Operating leases ROU assets	\$ 5,434	\$ 33,722	\$ 39,156
Operating lease liabilities (current)	\$ 1,349	\$ 6,830	\$ 8,179
Operating lease liabilities (non-current)	4,187	33,298	37,485
Total operating lease liabilities	\$ 5,536	\$ 40,128	\$ 45,664

Weighted Average Remaining Lease Term

Operating leases	7.3 years
Finance leases	2.1 years

Weighted Average Discount Rate

Operating leases	8.59%
Finance leases	8.92%

Lease Expense

The components of lease expense are as follows:

	Twelve Months Ended December 31, 2025
	<i>(Dollars in thousands)</i>
Amortization of finance lease ROU Assets	\$ 37
Interest on finance lease liabilities	4
Finance lease expense	41
Operating lease expense	13,068
Variable lease expense	1,039
Short-term lease expense	418
Total lease expense	\$ 14,566

Supplemental Cash Flow

Supplemental cash flow information related to leases is as follows:

	Twelve Months Ended December 31, 2025
	<i>(Dollars in thousands)</i>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 14,289
Operating cash flows from finance leases	2
Financing cash flows from finance leases	38
Leased assets obtained in exchange for new operating lease liabilities	\$ 12,916
Leased assets obtained in exchange for new finance lease liabilities	12

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2025, are as follows:

	Operating			Finance	Total
	Related Party	Other	Total		
	<i>(Dollars in thousands)</i>				
2026	\$ 1,972	\$ 10,244	\$ 12,216	\$ 23	\$ 12,239
2027	1,592	8,754	10,346	7	10,353
2028	948	8,206	9,154	5	9,159
2029	680	7,260	7,940	1	7,941
2030	686	5,223	5,909	—	5,909

	Thereafter	1,867	16,836	18,703	—	18,703
Undiscounted Cash Flows	\$	7,745	\$ 56,523	\$ 64,268	\$ 36	\$ 64,304
Less: imputed interest		(2,209)	(16,395)	(18,604)	(2)	(18,606)
Total	\$	5,536	\$ 40,128	\$ 45,664	\$ 34	\$ 45,698
Reconciliation to lease						
Lease liabilities – current	\$	1,349	\$ 6,830	\$ 8,179	\$ 22	\$ 8,201
Lease liabilities – long-term		4,187	33,298	37,485	12	37,497
Total Lease Liabilities	\$	5,536	\$ 40,128	\$ 45,664	\$ 34	\$ 45,698

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. We expect all of our broadcast licenses to be renewed in the future and therefore, we consider our broadcast licenses to be indefinite-lived intangible assets. We are not aware of any legal, competitive, economic, or other factors that materially limit the useful life of our broadcast licenses. The weighted-average period before the next renewal of our broadcasting licenses is 4.5 years.

The following table presents the changes in broadcasting licenses that include acquisitions and divestitures of radio stations and FM translators as described in Note 3 – Recent Transactions and impairments as described below.

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Balance, beginning of period before cumulative loss on impairment	\$ 419,845	\$ 272,250
Accumulated loss on impairment	(162,673)	(90,386)
Balance, beginning of period after cumulative loss on impairment	257,172	181,864
Acquisitions of radio station and FM translators	—	—
Capital projects to improve broadcast signal and strength	—	—
Disposition of radio stations and FM translators	(3,799)	(4,896)
Assets held for sale	(67,081)	—
Loss on impairment	(4,428)	(25,214)
Balance, end of period after cumulative loss on impairment	\$ 181,864	\$ 151,754
Balance, end of period before cumulative loss on impairment	\$ 272,250	\$ 264,760
Accumulated loss on impairment	(90,386)	(113,006)
Balance, end of period after cumulative loss on impairment	\$ 181,864	\$ 151,754

Broadcast Licenses Impairment Test

As a result of the impact of the recent sale of our CCM format radio station, changes in macroeconomic conditions and media industry reforecasts, we performed an interim review of broadcast licenses for impairment at June 30, 2025. 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. Based on our review and analysis, we determined that the carrying value of broadcast licenses in eleven of our market clusters were impaired as of the interim testing period ending June 30, 2025. We recorded an impairment charge of \$25.2 million to the value of broadcast licenses in Atlanta, Boston, Cleveland, Colorado Springs, Dallas, Detroit, Los Angeles, Miami, Philadelphia, Phoenix, 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.

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. The unit of accounting we use to test broadcast licenses is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment, and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results.

Our annual testing was completed in the fourth quarter of 2025 with updates to our interim assumptions based on the latest forecasts of economic and market conditions.

The first step of our impairment testing is to perform a qualitative assessment as to whether it is more likely than not that a broadcast license is impaired. This qualitative assessment requires significant judgment when considering the events and

circumstances that may affect the estimated fair value of our broadcast licenses. We review the significant assumptions and key estimates applicable to our latest estimated fair value calculations to assess if events and circumstances have occurred that could affect these assumptions and key estimates. We also review internal benchmarks and the economic performance for each market cluster to assess if it is more likely than not that impairment exists.

As part of our qualitative assessment, we calculate the excess fair value, or the amount by which our latest estimated fair value exceeds the current period carrying value. Based on our analysis and review, including the financial performance of each market, we believe that a 50% excess fair value margin based on testing that was done no more than 12 months ago is a reasonable benchmark for our qualitative analysis. Markets with an excess fair value of 50% or more, which have had no significant changes in the prior valuation assumptions and key estimates, and were tested no more than 12 months ago, are not likely to be impaired, and therefore, are not subject to further testing. Markets with an excess fair value that is less than 50% or have not been tested within the last 12 months are subject to further testing.

The table below presents the markets that are subject to further testing as noted above:

	Geographic Market Clusters as of December 31, 2025	
	Percentage Range by Which Latest Estimated Fair Value Exceeds 2025 Carrying Value	
	≤ 50%	> + 50%
Number of accounting units	22	-
Broadcast license carrying value (in thousands)	\$ 137,439	\$ -

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the fair value of 22 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 business 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 projections 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 businesses, (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 the broadcast licenses tested in each period are as follows:

Broadcast Licenses	December 31, 2024	June 30, 2025	December 31, 2025
Risk-adjusted discount rate	9.0%	9.0%	8.5%
Operating profit margin ranges	3.1% - 29.1%	3.1% - 29.1%	2.3% - 27.2%
Long-term revenue growth rates	(0.5)%	(0.5)%	(0.5)%

The risk-adjusted discount rate reflects the Weighted Average Cost of Capital (“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 no impairment charges were necessary to the carrying value of our broadcast licenses as of the annual testing period ended December 31, 2025.

The table below presents the results of our annual impairment testing under the start-up income approach:

Market Cluster	Estimated Excess Fair Value December 31, 2025
Atlanta, GA	33.7%
Boston, MA	6.2%
Chicago, IL	8.1%
Cleveland, OH	3.3%
Colorado Springs, CO	16.7%
Columbus, OH	4.7%
Dallas, TX	11.7%
Denver, CO	456.7%
Detroit, MI	16.9%
Houston, TX	1,835.6%
Little Rock, AK	28.8%
Los Angeles, CA	3.6%
Miami, FL	59.4%
Minneapolis, MN	28.4%
Orlando FL	8.9%
Philadelphia, PA	2.0%
Phoenix, AZ	32.5%
Pittsburgh, PA	169.5%
San Antonio, TX	234.2%
San Francisco, CA	3.2%
Tampa, FL	33.2%
Washington, DC	74.7%

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.

The following table presents the changes in goodwill including business acquisitions as described in Note 3 - Recent Transactions and impairments as described below.

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Balance, beginning of period before cumulative loss on impairment,	\$ 30,047	\$ 30,047
Accumulated loss on impairment	(7,470)	(7,470)
Balance, beginning of period after cumulative loss on impairment	22,577	22,577
Acquisitions of digital media business	—	2,166
Assets held for sale	(461)	—
Disposition of publishing business	—	(1,408)
Ending period balance	\$ 22,116	\$ 23,335
Balance, end of period before cumulative loss on impairment	29,586	30,805
Accumulated loss on impairment	(7,470)	(7,470)
Ending period balance	\$ 22,116	\$ 23,335

Goodwill Impairment Testing

When performing our annual impairment testing for goodwill, the fair value of each applicable accounting unit is estimated using a discounted cash flow analysis, which is a form of the income approach. The discounted cash flow analysis utilizes a five to ten-year projection period to derive operating cash flow projections from a market participant view. We make certain assumptions regarding future revenue growth based on industry market data, historical performance, and our expectations of future performance. We also make assumptions regarding working capital requirements and ongoing capital expenditures for fixed assets. Future net free cash flows are calculated on a debt free basis and discounted to present value using a risk-adjusted discount rate. The terminal year value is calculated using the Gordon constant growth method and long-term growth rate

assumptions based on long-term industry growth projections and GDP inflation rates. The resulting fair value estimates, net of any interest-bearing debt, are then compared to the carrying value of each reporting unit's net assets.

Our annual testing in the fourth quarter of 2025 reflected updates to our interim assumptions based on current economic and market conditions.

The first step of our impairment testing is to perform a qualitative assessment to determine if events and circumstances have occurred that indicate it is more likely than not that the fair value of the assets, including goodwill, are less than their carrying values. We review the significant inputs used in our prior year fair value estimates to determine if any changes to those inputs should be made. We estimate the fair value using a market approach and compare the estimated fair value of each business to its carrying value, including goodwill.

If the results of our qualitative assessment indicate that the fair value of a reporting unit may be less than its carrying value, we perform a second quantitative test of the reporting unit. We engage an independent third-party appraisal and valuation firm to assist us with determining the fair value as part of this quantitative test.

The unit of accounting we use to test goodwill associated with our radio stations is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment, and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results. Five of our 30 market clusters have goodwill associated with them as of our annual testing period ended December 31, 2025.

We tested two broadcast markets at December 31, 2025 based on the length of time elapsed from the last valuation and the impact of the recent sale of our CCM format radio station in Los Angeles. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the fair value of our market clusters to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up. The analysis includes both an income and cost approach to valuation. The income approach uses a discounted cash flow projection while the cost approach, or "stick" uses the value of the underlying assets.

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

Broadcast Markets Enterprise Valuations	December 31, 2024	December 31, 2025
Risk-adjusted discount rate	9.0%	8.5%
Operating profit margin ranges	30.0% - 33.9%	(14.3)% - 38.9%
Long-term revenue growth rates	(0.5)%	(0.5)%

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

Based on our review and analysis, we determined that no impairment charges were necessary to the carrying value of our broadcast market goodwill as of the annual testing period ended December 31, 2025.

The table below presents the percentage within a range by which the estimated fair value exceeded the carrying value of the broadcast businesses, including goodwill.

	Broadcast Business as of December 31, 2025			
	Percentage Range by Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>10% to 20%	>21% to 50%	> than 51%
Number of accounting units	—	—	2	—
Carrying value including goodwill (in thousands)	—	—	\$ 25,861	—

The unit of accounting we use to test goodwill in our national digital media business level, which includes SWN, Townhall.com®, and Eagle Financial Publications. The financial statements for SWN include the operating results and cash flows for our Christian content websites and our church product websites. The financial statements for Townhall.com® reflect the operating results for each of our conservative opinion websites. Eagle Financial Publications include our investing websites and related digital publications. The business level is the level reviewed by management and the lowest level for which discrete financial information is available.

We tested one business at December 31, 2025 based on the length of time elapsed from the last valuation. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the fair value of the business. 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 are as follows:

Digital Media Enterprise Valuations	December 31, 2024	December 31, 2025
Risk adjusted discount rate	10.0%	9.5%
Operating profit margin ranges	22.5% - 27.7%	18.9% - 20.1%
Long-term revenue growth rates	0.5%	0.5%

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

Based on our review and analysis, we determined that no impairment charges were necessary to the carrying value of goodwill associated with our digital media business as of the annual testing period ended December 31, 2025.

The table below presents the percentage within a range by which the estimated fair value exceeded the carrying value of the digital media business, including goodwill.

	Digital Media Business as of December 31, 2025			
	Percentage Range by Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>10% to 20%	>21% to 50%	> than 51%
Number of accounting units	—	—	—	1
Carrying value including goodwill (<i>in thousands</i>)	—	—	—	\$ 7,173

NOTE 9. AMORTIZABLE INTANGIBLE ASSETS

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

	As of December 31, 2024		
	Cost	Accumulated Amortization	Net
	<i>(Dollars in thousands)</i>		
Customer lists and contracts	\$ 23,677	\$ (23,411)	\$ 266
Domain and brand names	19,851	(19,327)	524
Favorable and assigned leases	1,479	(1,479)	—
Subscriber base and lists	10,416	(9,776)	640
Author relationships	1,106	(1,096)	10
Non-compete agreements	1,612	(1,034)	578
Other amortizable intangible assets	1,396	(1,396)	—
	<u>\$ 59,537</u>	<u>\$ (57,519)</u>	<u>\$ 2,018</u>

	As of December 31, 2025		
	Cost	Accumulated Amortization	Net
	<i>(Dollars in thousands)</i>		
Customer lists and contracts	\$ 23,677	\$ (23,508)	\$ 169
Domain and brand names	18,048	(16,433)	1,615
Favorable and assigned leases	1,479	(1,479)	—
Subscriber base and lists	11,696	(10,473)	1,223
Author relationships	—	—	—
Non-compete agreements	1,612	(1,567)	45
Other amortizable intangible assets	1,308	(1,308)	—
	<u>\$ 57,820</u>	<u>\$ (54,768)</u>	<u>\$ 3,052</u>

Amortization expense was approximately \$1.6 million for the years ended December 31, 2024, and 2025. Based on the amortizable intangible assets as of December 31, 2025, we estimate amortization expense for future years to be as follows:

Year ended December 31,	Amortization Expense
	<i>(Dollars in thousands)</i>
2026	\$ 895
2027	765
2028	547
2029	534
2030	311
Total	<u>\$ 3,052</u>

NOTE 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of the following:

	As of December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Accounts payable	\$ 5,684	\$ 3,046
Accrued expenses	7,396	9,243
Accrued compensation and related expenses	10,740	9,338
	<u>\$ 23,820</u>	<u>\$ 21,627</u>

NOTE 11. RESTRUCTURING

On December 23, 2024 we entered into an agreement to sell our remaining seven CCM radio stations. In connection with the sale, we committed to a plan that resulted in the elimination of certain positions, the termination and/or payment of certain contracts that no longer provide us with any economic benefit and other cost-savings initiatives. The plan was authorized and communicated by management in January 2025.

The following summarizes accrued restructuring costs for the year ended December 31, 2025:

	Employee Termination Benefits	Other Associated Costs	Total
Beginning balance	\$ —	\$ —	\$ —
Expenses incurred	2,216	1,832	4,048
Payments	(2,216)	(1,668)	(3,884)
Ending balance	<u>\$ —</u>	<u>\$ 164</u>	<u>\$ 164</u>

The accrued restructuring costs are presented under the accounts payable and accrued expenses line on the face of the Consolidated Balance Sheets.

The following summarizes restructuring and restructuring related charges for the year ended December 31, 2025:

	Twelve Months Ended December 31, 2025	
Employee termination benefits	\$ 2,216	
Contract termination costs	600	
Other associated costs	1,232	
	<u>\$ 4,048</u>	

The restructuring costs are presented on a separate line on the face of the Consolidated Statements of Operations.

NOTE 12. DEBT

Salem Media Group, Inc. has no independent assets or businesses, 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.

Debt consists of the following:

	December 31, 2024	December 31, 2025
	<i>(Dollars in thousands)</i>	
Unsecured debt	\$ 24,617	\$ —
Asset-Based Revolving Credit Facility principal outstanding (1)	5,250	10,557
Long-term debt less unamortized discount and debt issuance costs	\$ 29,867	\$ 10,557
Less current portion	24,617	—
Long-term debt less unamortized discount and debt issuance costs, net of current portion	<u>\$ 5,250</u>	<u>\$ 10,557</u>
Secured promissory note, current	\$ 72,000	\$ —

- (1) As of December 31, 2025, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of \$25.3 million, \$10.6 million in outstanding borrowings, \$2.5 million in letters of credit, a \$4.5 million availability block, resulting in a \$7.7 million borrowing base availability.

Our weighted average interest rate was 1.76% and 7.98% at December 31, 2024, and December 31, 2025, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of December 31, 2025:

- \$10.6 million outstanding borrowings under the ABL facility, with interest payments due at Secured Overnight Financing Rate (“SOFR”) plus 4.5% per annum with a SOFR floor of 4.3%;
- \$2.5 million in standby letters of credit with interest payment at an annual rate of 4.5%; and
- Commitment fee of 0.35% per annum on the unused portion of the ABL Facility.

Secured Promissory Note

On December 23, 2024, the company issued a \$72.0 million Secured Promissory Note. The proceeds were used to repurchase the 2028 Notes. The Secured Promissory Note is due in full at maturity on March 31, 2028. Settlement is accelerated upon the closing of the sale of the CCM stations and offset against the purchase price. The Secured Promissory Note is repayable upon demand if closing does not occur by December 31, 2025. Purely from an accounting perspective, we consider the Secured Promissory Note to be an advanced payment for the sale of CCM stations and the balance is a contract liability in accordance with ASC 610-20, *Other Income*. On April 4, 2025, we repaid the promissory note.

The interest on the Secured Promissory Note is 0% through June 30, 2025, at which point the interest rate will be SOFR +1%. The debt is collateralized by all of the Company’s assets except for the assets (accounts receivables and the studio/office building in Irving, Texas) that are first lien collateral for the ABL Revolver with Siena.

Unsecured Debt

On December 23, 2024, we issued unsecured debt of \$24.0 million to the holder of the 2028 Notes. The unsecured debt was scheduled to automatically convert to Series A Preferred Stock at the earlier of the consummation of the asset sales of our remaining seven CCM stations or on June 22, 2025. The unsecured debt has been converted to Series A Preferred Stock upon the close of the sale of the CCM stations on April 4, 2025. The interest rate on the debt was 5%, which could be paid in cash or paid in kind. As of December 31, 2025, accrued and unpaid interest on the unsecured debt was \$0.3 million which is reflected in other long-term liabilities.

2028 Notes

The 2028 Notes were originally due to mature on June 1, 2028. Interest accrued on the 2028 Notes was payable semi-annually, in cash in arrears, on June 1 and December 1 of each year. Upon issuance, we recorded debt issuance costs of \$9.5 million. During the year ended December 31, 2024, \$1.5 million of debt issuance costs, discount and delayed draw associated with the 2028 Notes was amortized to interest expense.

On December 23, 2024, we repurchased \$159.4 million of the 2028 Notes for \$104.0 million in cash and issuance of \$24.0 million Unsecured Debt. In accordance with the provisions of ASC 470-60, *Troubled Debt Restructuring*, we applied troubled debt restructuring accounting, resulting in a gain of \$28.7 million. The carrying value of the 2028 Notes was reduced to the aggregate undiscounted cash flows due under the Unsecured Debt. Since the Unsecured Debt automatically converts to Series A Preferred Stock on or prior to June 23, 2025, we utilized the maximum interest payments due through June 23, 2024 for the undiscounted cash flows computation.

	Year ended	
	December 31, 2024	
	<i>(Dollars in thousands)</i>	
Principal amount of 2028 Notes at December 23, 2024	\$	159,416
Plus: accrued interest at December 23, 2024		6,373
Carrying value of 2028 Notes plus interest		165,789
Less: cash consideration		(104,000)
Less: unamortized debt discounts and issuance costs		(5,280)
Carrying value of 2028 Notes at December 23, 2024	\$	56,509
Principal amount of Unsecured debt	\$	24,000
Plus: interest payments		617
Total cash flows of Unsecured debt (undiscounted)	\$	24,617
Difference between carrying value of 2028 Notes and total cash flows of Unsecured debt	\$	31,892
Less: transaction costs		(3,236)
Gain on early retirement of debt	\$	28,656

Asset-Based Revolving Credit Facility

On December 26, 2023, we entered into an agreement with Siena Lending Group, Inc. (“Siena”) to provide us a \$26.0 million asset based loan (“ABL Facility”) revolving facility. The proceeds from this ABL Facility were used to pay off the previous ABL Facility from Wells Fargo Bank, National Association and to provide additional working capital for the company. First priority perfected security interests and liens on all present and future accounts receivable, inventory, deposits and security accounts and certain owned real property and other equity interests of the company and each of our direct and indirect subsidiaries and second priority perfected security interests and liens on all other present and future assets of the company.

The ABL Facility is a \$26.0 million credit facility due December 26, 2027, which includes a \$3.0 million sub-facility for standby letters of credit.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) 90% of the eligible unbilled receivable not to exceed \$5.0 million and (c) a calculated amount based on the value of certain real property. An Availability Block not to exceed \$2 million will be required should the company not maintain a fixed charge coverage ratio of 1. As of September 30, 2025, the fixed charge coverage ratio was (2.0). The Availability Block will remain in effect until such time as the company resumes meeting the Fixed Charge Coverage Ratio covenant.

As of December 31, 2025, the amount available under the ABL Facility was \$25.3 million of which \$10.6 million was outstanding and \$2.5 million is drawn on a letter of credit. All borrowings under the ABL Facility accrue interest at a rate equivalent to 30 Day Term SOFR Rate plus 4.5% per annum with a SOFR floor of 4.3%. There is an unused line fee of 0.35% per annum. A prepayment fee of 2% of the total ABL Facility amount is due if the ABL Facility is retired in the first 12 months following the closing date; 1% during the subsequent 13-30 month period following the closing date and 0% thereafter until maturity of the ABL Facility. Additionally, a letter of credit fee of 4.5% per annum would be charged on the face amount of all letter of credits issued, payable monthly in arrears calculated on the basis of actual days elapsed in a year of 360 days. Other standard fees with respect to letters of credit would also apply.

We recorded debt issuance costs of \$1.9 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the twelve-month period ended December 31, 2024 and 2025, \$0.9 million and \$0.6 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At December 31, 2025, the blended interest rate on amounts outstanding under the ABL Facility was 8.80%.

We report outstanding balances on the ABL Facility as long-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. As of December 31, 2025, accrued and unpaid interest on the ABL Facility was \$0.1 million.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2025 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
For the Year Ended December 31,	<i>(Dollars in thousands)</i>
2026	\$ —
2027	10,557
2028	—
2029	—
2030	—
Thereafter	—
	<u>\$ 10,557</u>

NOTE 13. INCOME TAXES

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

Domestic and international pre-tax income (loss) consists of the following:

	As of December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
United States	\$ 8,353	\$ (42,784)
International	—	—
Income (loss) before income taxes	<u>\$ 8,353</u>	<u>\$ (42,784)</u>

Income tax expense attributable to operations is comprised of the following:

	As of December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Current		
Federal	\$ —	\$ —
State	521	2,440
Total current tax expense	<u>\$ 521</u>	<u>\$ 2,440</u>
Deferred		
Federal	\$ (7,639)	\$ (9,227)
State	(708)	(1,387)
Total deferred tax expense	(8,347)	(10,614)
Total income tax expense	<u>\$ (7,826)</u>	<u>\$ (8,174)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

Consolidated deferred tax assets and liabilities consist of the following:

	As of December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Deferred tax assets:		
Financial statement accruals not currently deductible	\$ 1,102	\$ 915
Allowance for bad debt reserve	2,021	1,712
Net operating loss, AMT credit and other carryforwards	23,281	18,421
State taxes	105	399
Operating lease liabilities	12,114	11,520
Other	11,306	7,323
Total deferred tax assets	49,929	40,290
Valuation allowance for deferred tax assets	(21,119)	(23,590)
Net deferred tax assets	<u>\$ 28,810</u>	<u>\$ 16,700</u>
Deferred tax liabilities:		
Excess of net book value of property and equipment and software for financial reporting purposes over tax basis	\$ 797	\$ 248
Excess of net book value of intangible assets for financial reporting purposes over tax basis	58,506	36,799
Operating lease right-of-use assets	10,508	9,879
Total deferred tax liabilities	69,811	46,926
Net deferred tax liabilities	<u>\$ (41,001)</u>	<u>\$ (30,226)</u>

Net operating losses and tax credit carryforwards as of December 31, 2025 are as follows:

	Amount
	<i>(Dollars in thousands)</i>
Net operating losses, federal (Post December 31, 2017)	\$ 321
Net operating losses, federal (Pre December 31, 2018)	29,442
Net operating losses, state	252,973
Tax credits, federal	—
Tax credits, state	51
Net operating losses, foreign	—
Tax credits, foreign	—

A reconciliation of the provision for income taxes to the amount computed by applying the 21% statutory U.S. federal income tax rate to income taxes after the adoption of ASU 2023-09 is as follows:

	Year Ended December 31,			
	2024		2025	
	<i>(Dollars in thousands)</i>			
Tax at U.S. statutory rate	\$ 1,754	21.0%	\$ (8,985)	21.0%
State and local income taxes (1)	(376)	(4.5)%	1,053	(2.4)%
Effects of Cross-Border Tax Laws	3	—%	—	—%
Changes in valuation allowances	(9,528)	(114.1)%	1,783	(4.2)%
Nontaxable and nondeductible items	321	3.8%	161	(0.4)%
Changes in unrecognized tax benefits	—	—%	292	(0.7)%
Deferred tax true-up of temporary differences	—	—%	(2,044)	4.8%
Other adjustments	—	—%	(434)	1.0%
Effective tax rate	\$ (7,826)	(93.8)%	\$ (8,174)	19.1%

(1) The states and local jurisdictions that contribute to the majority (greater than 50%) of the tax effect in this category include California, Pennsylvania, and Texas.

The aggregate changes in the Company's total gross amount of unrecognized tax benefits are summarized as follows:

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Balance at the beginning of the year	\$ 105	\$ 111
Increases related to tax positions taken during the current period	—	—
Increases related to tax positions taken during prior period	6	—
Decreases related to tax positions taken during prior period	—	—
Decreases related to settlements with taxing authorities	—	(111)
Decreases related to expiration of statute of limitations	—	—
Balance at the end of the year	\$ 111	\$ —

The amount of cash income taxes paid by the Company were as follows:

	Year Ended December 31,
	2025
	<i>(Dollars in thousands)</i>
Federal	\$ 800
State and local:	
California	1,431
Pennsylvania	453
Texas	294
Other state and local	526
Foreign	—
Income taxes, net of amounts refunded	\$ 3,504

The amount of cash income taxes paid by the Company during the year ended December 31, 2024 was \$0.1 million.

At December 31, 2025, we had net operating loss carryforwards for federal income tax purposes of approximately \$29.8 million that expire in years 2033 through 2037 and for state income tax purposes of approximately \$253.0 million that expire in years 2026 through 2045. For financial reporting purposes at December 31, 2025, we had a valuation allowance of \$23.6 million, net of federal benefit, to offset the pre-2018 federal net operating losses and state net operating losses.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was signed into law. The OBBBA makes permanent some key tax provisions for tax year 2025, including 100% bonus depreciation, immediate expensing of domestic research costs, and increased limitations for deducting business interest expense. In addition, the OBBBA includes key tax provisions that will take effect in future tax years, such as reduced deductions available for foreign derived income and the repeal of the energy-efficiency building deduction under Section 179D for property for which construction begins after June 30, 2026. ASC 740 requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. Accordingly, the effects of the OBBBA have been incorporated into the income tax provision computation for the period ended December 31, 2025, and the impact was not material to the consolidated financial statements.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks

associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such a determination. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

During the year, we released a portion of the valuation allowance due to the use of net operating loss carryforwards in the current year.

For financial reporting purposes, we recorded a valuation allowance of \$23.6 million as of December 31, 2025, to offset \$18.4 million of the deferred tax assets related to federal and state net operating loss carryforwards of \$6.3 million and \$12.1 million respectively, along with \$3.1 million of other financial statement accruals. This balance represents an increase of \$2.5 million during the year, from \$21.1 million valuation allowance as of December 31, 2024.

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.

Utilization of net operating loss carryforwards may be subject to limitations in the event of a change in ownership as defined under U.S. Internal Revenue Code (“IRC”) §382, and similar state provisions. An “ownership change” is generally defined as a cumulative change in the ownership interest of significant stockholders over a three-year period of more than 50%. The Company may have experienced a change in ownership, as defined by U.S. IRC §382, as a result of stock issued in 2024. Accordingly, some of the net operating loss carryforwards may expire prior to being utilized and have been removed from the inventory of deferred tax assets. As a valuation allowance was placed on the federal net operating loss carryovers, there is no income statement impact related to this change. Prior to the expiration of these net operating loss carryforwards, the Company intends to undertake a formal analysis to determine whether there are alternative tax planning solutions that would allow for the use of these carryforwards.

The Company’s federal and state income tax returns remain subject to examination for years in which net operating loss, tax credit, or other attribute carryforwards are generated or utilized. The Company is currently under examination by the Internal Revenue Service for its 2022 tax year and is not under examination by any other taxing authorities.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

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

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

individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations or cash flows.

NOTE 15. STOCK INCENTIVE PLAN

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

At a special meeting of the company held on September 27, 2024, the company’s stockholders approved a revision to the Plan increasing the number of shares authorized by 6,000,000. As a result, a maximum of 14,000,000 shares are authorized under the Plan of which 4,696,084 were available for issuance at December 31, 2024. All awards have restriction periods tied primarily to employment and/or service. The Plan allows for accelerated or continued vesting in certain circumstances as defined in the Plan including death, disability, a change in control, and termination or retirement. The Board of Directors, or a committee appointed by the Board, has discretion subject to limits defined in the Plan, to modify the terms of any outstanding award.

We recognize non-cash stock-based compensation expense based on the estimated fair value of awards in accordance with FASB ASC Topic 718 *Compensation—Stock Compensation*. Stock-based compensation expense fluctuates over time as a result of the vesting periods for outstanding awards and the number of awards that actually vest.

The following table reflects the components of stock-based compensation expense recognized in the Consolidated Statements of Operations for the years ended December 31, 2024, and 2025:

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Stock option compensation expense included in unallocated corporate expenses	\$ 281	\$ 51
Restricted stock shares compensation expense included in unallocated corporate expenses		188
Stock option compensation expense included in selling, general and administrative expenses	—	24
Restricted stock shares compensation expense included in selling, general and administrative expenses	117	300
Total stock-based compensation expense, pre-tax	\$ 398	\$ 563
Tax expense from stock-based compensation expense	(103)	(146)
Total stock-based compensation expense, net of tax	\$ 295	\$ 417

Stock Option and Restricted Stock Grants

Eligible employees may receive stock option awards annually with the number of shares and type of instrument generally determined by the employee’s salary grade and performance level. Incentive and non-qualified stock option awards allow the recipient to purchase shares of our common stock at a set price, not to be less than the closing market price on the date of award, for no consideration payable by the recipient. The related number of shares underlying the stock option is fixed at the time of the grant. Options generally vest over a four-year period with a maximum term of five years from the vesting date. In addition, certain management and professional level employees may receive stock option awards upon the commencement of employment.

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

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

There was no stock option grants during the years ended December 31, 2024 and 2025.

Activity with respect to the company’s option awards during the two years ended December 31, 2025, is as follows (Dollars in thousands, except weighted average exercise price and weighted average grant date fair value):

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2024	2,777,843	\$ 1.90	\$ 1.07	5.3 years	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited or expired	(261,153)	3.96	1.47	—	—
Outstanding at December 31, 2024	<u>2,516,690</u>	1.70	1.06	4.7 years	\$ —
Exercisable at December 31, 2024	<u>1,234,940</u>	2.09	1.11	2.6 years	—
Expected to Vest	2,405,932	1.72	1.06	4.6 years	\$ —
Outstanding at January 1, 2025	2,516,690	\$ 1.70	\$ 1.06	4.7 years	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited or expired	(436,190)	3.06	1.30	—	—
Outstanding at December 31, 2025	<u>2,080,500</u>	1.58	0.99	3.7 years	\$ —
Exercisable at December 31, 2025	<u>1,284,500</u>	1.82	1.02	2.0 years	—
Expected to Vest	2,037,352	1.59	0.99	3.6 years	\$ —

Activity with respect to the company's restricted stock awards during the year ended December 31, 2025, is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Non-Vested at January 1, 2024	14,854	\$ 3.66	0.20 years	\$ 6
Granted	—	—	—	—
Lapsed	(14,854)	3.66	—	5
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2024	<u>—</u>	\$ —	—	\$ —
Non-Vested at January 1, 2025	—	\$ —	—	\$ —
Granted	3,815,067	0.59	3.2 years	2,254
Lapsed	—	—	—	—
Forfeited or expired	(345,000)	0.60	—	—
Outstanding at December 31, 2025	<u>3,470,067</u>	\$ 0.59	2.5 years	\$ —

The table below represents the restricted stock awards granted during the year ended December 31, 2025:

Grant date	Vesting	Number of shares
October 10, 2025	Time-based	218,067
April 7, 2025	Time-based	750,000
April 1, 2025	Time-based	500,000
January 17, 2025	Time-based and performance-based	2,347,000
		<u>3,815,067</u>

Restricted stock awards that shall vest with a time-based and/or performance-based schedule. The fair value of each restricted stock award was measured based on the grant date market price of our common shares and expensed over the vesting period. These restricted stock awards contained transfer restrictions under which they could not be sold, pledged, transferred or assigned until the shares have vested. Recipients of these restricted stock awards were entitled to all the rights of absolute ownership of the restricted stock from the date of grant including the right to vote the shares and to receive dividends. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards were considered issued and outstanding from the date of grant.

Additional information regarding options outstanding as of December 31, 2025, is as follows:

Range of Exercise Prices	Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
\$1.06 - \$1.63	1,635,250	4.1	\$ 1.18	893,750	\$ 1.28
\$2.37 - \$3.56	413,500	2.3	3.00	359,000	3.00
\$3.65 - \$5.48	31,750	0.7	3.77	31,750	3.77
	<u>2,080,500</u>	3.7	\$ 1.58	<u>1,284,500</u>	\$ 1.82

The aggregate intrinsic value represents the difference between the company's closing stock price on December 31, 2025 of \$0.44 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 years ended December 31, 2024, and 2025 was \$0.3 million.

As of December 31, 2025, there was \$0.2 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 1.5 years. As of December 31, 2025, there was \$1.6 million of total unrecognized compensation cost related to non-vested restricted stock awards. This cost is expected to be recognized over a weighted-average period of 2.6 years.

NOTE 16. STOCKHOLDERS' EQUITY

Redeemable Series A Preferred Stock

On December 23, 2024, the company entered into a Note Repurchase Agreement with the noteholders of the 2028 Notes and issued \$24.0 million in aggregate principal amount of Unsecured Debt to the noteholders. Upon the earlier to occur of (i) the close of the sale of the CCM radio stations or (ii) six months from the closing of the repurchase, the Unsecured Debt will automatically convert into 24,000 shares of newly authorized Series A Preferred Stock. The unsecured debt converted to Series A Preferred Stock upon the close of the sale of the CCM stations on April 4, 2025. The company has 24,000 authorized shares of Series A Preferred Stock, with \$0.01 par value per share.

The holders of Series A Preferred Stock are entitled to receive cumulative dividends, out of any assets legally available, prior and in preference to any declaration or payment of any dividend on the common stock, at the applicable dividend rate of 5.0% per annum until the second anniversary of issuance, 7.5% until the fourth anniversary and 10.0% after the fourth anniversary. Dividends accrue whether or not declared by the board of directors. Dividends are payable only when and if declared by the board of directors. The \$1.2 million in accrued interest and dividends is reflected in other long-term liabilities at December 31, 2025.

Unless waived by at least 67% of the holders, at any time after the repayment of the ABL Facility and Secured Promissory Note, the Series A Preferred Stock is mandatorily redeemable upon the occurrence of a qualifying asset sale with aggregate net proceeds in excess of \$2.5 million or the company's fiscal year end excess cash flow is greater than \$2.5 million. The Series A Preferred Stock is redeemable at the company's option at any time. The redemption price per share for a mandatory or optional redemption is equal to its liquidation preference.

The Series A Preferred Stock is not convertible and has no voting rights.

Redeemable Series B Convertible Preferred Stock

On December 23, 2024, the company issued 40,000 shares of Series B Convertible Preferred Stock, \$0.01 par value per share. Each of the outstanding shares of Series B Convertible Preferred Stock is convertible, at the option of the Series B Convertible Preferred Stock holders at any time after July 1, 2025, into a number of shares of Class A common stock and/or Class B common stock. The conversion price per share will be the volume weighted average closing price or last sale price of the Class A common stock over the 90 consecutive trading days immediately prior to conversion. The amount of shares of Class A common stock and/or Class B common stock that shall convert into shall be at the discretion of the Series B Convertible Preferred Stock holders provided that (a) the aggregate number of shares of common stock issued upon full conversion of the Series B Convertible Preferred Stock shall not exceed, together, with any other shares of common stock then beneficially owned by the Series B Convertible Preferred Stock holders, (i) forty-nine percent (49%) of the total number of issued and outstanding shares of capital stock of the company and (ii) forty-six percent (46%) of the voting rights attributable to the total issued and outstanding shares of capital stock entitled to vote upon and (b) in no event shall the aggregate number of shares of Class B common stock issued upon full conversion of the Series B Convertible Preferred Stock holders exceed 4,250,000 shares.

The holders of Series B Convertible Preferred Stock are entitled to receive dividends pari passu with Class A and Class B common stockholders on an as-converted basis. Series B Convertible Preferred Stock is not redeemable except for upon a deemed liquidation transaction, defined as a change of control, merger/consolidation or sale of substantially all of the company's assets.

Class A and Class B Common Stock

The rights of the Class A common stockholders and Class B common stockholders are identical except with respect to their voting rights and conversion provision. The Class A common stock is entitled to one vote per share and the Class B common stock is entitled to ten votes per share.

Liquidation Preference

In the event of any deemed liquidation transaction, liquidation, dissolution, or winding up of the company, either voluntary or involuntary, the holders of the then outstanding shares of Series A Preferred Stock are first entitled to receive the amount of \$1,000 per share plus all declared but unpaid dividends, prior and in preference to any distribution of any assets of the Company to the holders of the Series B Convertible Preferred Stock and Class A and Class B common stock. If, upon the occurrence of such event, the proceeds distributed among the holders of the Series A Preferred Stock are insufficient to permit the full payment of the aforesaid preferential amounts to each holder the preferred stock, then the entire proceeds legally available for distribution to the preferred stock shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the full preferential amount that each such holder of preferred stock is otherwise entitled to receive.

Upon completion of the distributions required for Series A Preferred Stock liquidation preferences, the holders of the then outstanding shares of Series B Convertible Preferred Stock are entitled to receive the amount of \$1,000 per share plus all declared but unpaid dividends, prior and in preference to any distribution of any assets of the Company to the holders of the Class A and Class B common stock. If, upon the occurrence of such event, the proceeds distributed among the holders of the Series B Convertible Preferred Stock are insufficient to permit the full payment of the aforesaid preferential amounts to each holder the preferred stock, then the entire proceeds legally available for distribution to the preferred stock shall be distributed ratably among the holders of the Series B Convertible Preferred Stock in proportion to the full preferential amount that each such holder of preferred stock is otherwise entitled to receive.

Upon completion of the distributions required by the above-mentioned liquidation preferences, any remaining proceeds shall be distributed among the holders of Class A and Class B common stockholders pro rata based on the number of shares of common stock held by each.

NOTE 17. RELATED PARTY TRANSACTIONS

Our Board has adopted a written policy for review, approval and monitoring of transactions between Salem and its related parties. The policy applies to any transaction or series of transactions in which Salem is a participant, the amount involved exceeds \$120,000 and a Related Party has a direct or indirect material interest, excluding, among other things, compensation arrangements with respect to employment and Board membership. Related Parties includes our directors, executive officers, nominees to become a director, any person beneficially owning more than 5% of any class of our stock, immediate family members of any of the foregoing, and any business in which any of the foregoing persons is employed or is a general partner or principal or in which the person has a 10% or greater beneficial ownership interest.

Under the Policy, related party transactions must be reported to our general counsel and be reviewed and approved or ratified by the Board in accordance with the terms of the Policy, prior to the effectiveness or consummation of the transaction, whenever practicable. The Board will review all relevant information available about the potential related party transaction and may, in its sole discretion, impose such conditions as it deems appropriate on Salem or the Related Party in connection with the approval of the related party transaction. We also poll our directors and executive officers on an annual basis with respect to related party transactions and their service as an officer or director of other entities. Any director involved in a related party transaction that is being reviewed or approved must recuse himself or herself from participation in any related deliberation or decision.

Other than compensation arrangements for our directors and executive officers, the following is a summary of transactions for the years ended December 31, 2024 and December 31, 2025 to which we have been a party in which the amount involved exceeds \$120,000 annually and in which any of our then directors, executive officers or holders of more than 5% of any class of our stock at the time of such transaction, or any members of their immediate family, or is a general partner or principal or in which the person has a 10% or greater beneficial ownership interest, had or will have a direct or indirect material interest.

Leases with Principal Stockholders

A trust controlled by the former Executive Chairman of the company, Edward G. Atsinger III, owns real estate on which assets of one radio station are located. Salem has entered into a lease agreement with this trust. Rental expense related to this lease included in operating expense for the year's ending December 31, 2024, and 2025 amounted to \$0.2 million. Mr. Ted Atsinger, son of the Executive Chairman is the beneficiary and/or successor trustee.

Land and buildings occupied by various Salem radio stations are leased from entities owned by the company's former Executive Chairman and its Chairman Emeritus. Rental expense under these leases included in operating expense for the years ending December 31, 2024, and 2025 was \$2.1 million and \$2.0 million, respectively.

Know the Truth – Mr. Riddle

Know the Truth is a non-profit organization that is a customer of Salem Media Group, Inc. During 2024 and 2025 the company billed Know the Truth approximately \$0.5 million each year for airtime on its stations. The company had receivable balances of \$0.2 million and \$0.3 million, respectively, at December 31, 2024, and 2025. Mr. Riddle, a director of the company, joined the Know the Truth board in 2010 and remains a member of this board.

Transportation Services Supplied by Sun Air Jets

From time to time, the company rents aircraft from a company owned by Edward G. Atsinger III, Executive Chairman of Salem. As approved by the independent members of the company's board of directors, the company rents these aircraft on an hourly basis for general corporate needs. Total rental expenses for these aircraft was \$0.03 million for the year ended December 31, 2024. The Company did not use the transportation services in 2025.

NOTE 18. DEFINED CONTRIBUTION PLAN

We maintain a 401(k) defined contribution plan ("401(k) Plan"), which covers eligible employees as defined in the 401(k) Plan. Participants are allowed to make non-forfeitable contributions of up to 60% of their annual salary but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The company match was 50% on the first 5% of the amounts contributed by each participant. The company match has been suspended since July 2023.

NOTE 19. SUBSEQUENT EVENTS

On January 19, 2026 we entered into an agreement to sell and leaseback our building in Irving, Texas, for \$6.0 million. The sale is expected to close in the second quarter of this year.

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

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 Consolidated Financial Statements and related notes under this annual report. Our Consolidated Financial Statements are not directly comparable from period to period due to acquisitions and dispositions. Refer to Note 3 of our Consolidated Financial Statements under this annual report 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 any 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 drive and manage revenue growth;
- our ability to effectively manage costs;
- the popularity of radio as a broadcasting and advertising medium;
- changes in consumer demand;
- 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 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.salemmaedia.com.

Our principal sources of 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 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;
- 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;

- the sale of digital streaming advertisements and banner advertisements on our 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;
- the number of video and graphic downloads;
- the sale of books; and
- publishing fees from authors.

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.

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 five 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.

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 each of the twelve-month periods ended December 31, 2024, and 2025, 98% and 99%, respectively, of our broadcast revenue was sold for cash.

Broadcast business expenses 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 business provides Christian, conservative, investing, retirement, e-commerce, audio and video streaming, and other resources digitally through the web.

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 businesses, our second and fourth quarter advertising revenue from our digital media businesses generally exceeds the businesses' 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 business 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 business includes our self-publishing services through Salem Author Services. On July 1, 2025, we sold this business.

Publishing revenue is impacted by the number and rate at which self-published books are published and the sale of services such as editing and marketing.

The primary business expenses incurred by our publishing business includes: (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.

Known Trends and Uncertainties

Ongoing global supply chain disruptions from the pandemic, military conflict in Ukraine and Israel, 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 2.7% for the twelve months ending December 31, 2025, following a 2.9% increase for the twelve months ending December 31, 2024. Higher energy costs and the impact of inflation resulted in higher CAM charges.

Revenue growth from the sale of broadcast airtime is negatively impacted by audiences spending less time commuting, certain automobile manufacturers removing AM radio signals, 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.

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.

Non-GAAP Financial Measures

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

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

Item 10(e) of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this annual report. We closely monitor EBITDA, Adjusted EBITDA, and Adjusted Free cashflow, 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 with a more complete understanding of our underlying results, trends, and performance.

We define EBITDA as net income before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the disposition of assets, before changes in the estimated fair value of contingent earn-out consideration, before restructuring costs, before impairments, before net miscellaneous income and expenses, before gain (loss) on early retirement of debt, 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 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.

Reconciliation of Non-GAAP Financial Measures:

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.

	Year Ended December 31,	
	2024	2025
	<i>(Dollars in thousands)</i>	
Net income (loss)	\$ 16,179	\$ (34,610)
Plus interest expense, net of capitalized interest	14,902	1,512
Plus benefit from income taxes	(7,826)	(8,174)
Plus depreciation and amortization	11,965	10,956
Less film impairment	—	2,250
Less interest income	(35)	(123)
EBITDA	\$ 35,185	\$ (28,189)
Plus net gain on the disposition of assets	(5,048)	(7,138)
Plus change in the estimated fair value of contingent earn-out consideration	(27)	—
Plus impairment of indefinite-lived long-term assets other than goodwill	4,428	25,214
Plus restructuring costs	—	4,048
Plus net miscellaneous (income) and expenses	(19)	(345)
Plus (gain) on troubled debt restructuring	(28,656)	(212)
Plus non-cash stock-based compensation	398	563
Adjusted EBITDA	\$ 6,261	\$ (6,059)

We define Adjusted Free Cash Flow (1) as Adjusted EBITDA (1) less cash paid for capital expenditures, less cash paid for income taxes, and less cash paid for interest. We consider Adjusted Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our businesses after cash paid for capital expenditures, cash paid for income taxes and cash paid for interest. A limitation of Adjusted Free Cash Flow as a measure of liquidity is that it does not represent the total increase or decrease in its cash balance for the period. We use Adjusted Free Cash Flow, a non-GAAP liquidity measure, both in presenting our results to stockholders and the investment community, and in its internal evaluation and management of the business. Our presentation of Adjusted Free Cash Flow is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Our definition of Adjusted Free Cash Flow is not necessarily comparable to similarly titled measures reported by other companies.

The table below presents a reconciliation of Adjusted Free Cash Flow to net cash provided by operating activities, the most directly comparable GAAP measure. Adjusted Free Cash Flow is a non-GAAP liquidity measure that is not to be considered a substitute for or superior to the directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,	
	2024	2025
	<i>(Unaudited)</i>	
Net cash used by operating activities	\$ (10,493)	\$ (5,738)
Non-cash stock-based compensation	(398)	(563)
Depreciation and amortization	(11,965)	(10,956)
Amortization of deferred financing costs	(2,306)	(628)
Non-cash lease expense	(9,111)	(9,210)
Accretion of acquisition-related deferred payments and contingent earn-out consideration	—	(69)
Provision for bad debts	846	1,865
Deferred income taxes	8,347	10,775
Change in the estimated fair value of contingent earn- out consideration	27	—
Impairment of indefinite-lived long-term assets other than goodwill	(4,428)	(25,214)
Net gain on the disposition of assets	5,048	7,138
Gain on troubled debt restructuring	28,656	212
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(3,134)	(6,598)
Income tax receivable	(293)	630
Prepaid expenses and other current assets	(650)	572
Accounts payable and accrued expenses	6,171	939
Operating lease liabilities	9,204	8,466
Contract liabilities	783	(6,694)
Deferred rent income	(9)	(1)
Other liabilities	(4)	352
Income tax payable	(112)	112
Net income (loss)	<u>\$ 16,179</u>	<u>\$ (34,610)</u>
Plus interest expense, net of capitalized interest	14,902	1,512
Plus benefit from income taxes	(7,826)	(8,174)
Plus depreciation and amortization	11,965	10,965
Less interest income	(35)	(123)
Plus film impairment	—	2,250
EBITDA	<u>\$ 35,185</u>	<u>\$ (28,189)</u>
Plus net gain on the disposition of assets	(5,048)	(7,138)
Plus change in the estimated fair value of contingent earn-out consideration	(27)	—
Plus restructuring costs	—	4,048
Plus impairment of indefinite-lived long-term assets other than goodwill	4,428	25,214
Plus gain on early retirement of long-term debt	(28,656)	(212)
Plus net miscellaneous income and expenses	(19)	(345)
Plus non-cash stock-based compensation	398	563
Adjusted EBITDA	<u>\$ 6,261</u>	<u>\$ (6,059)</u>
Less net cash paid for capital expenditures (1)	(5,072)	(6,001)
Plus paid for taxes	(116)	(3,504)
Less cash paid for interest, net of capitalized interest	(7,292)	(862)
Adjusted Free Cash Flow	<u>\$ (6,219)</u>	<u>\$ (16,426)</u>

(1) Net cash paid for capital expenditures reflects actual cash payments net of cash reimbursements under tenant improvement allowances and net of property and equipment acquired in trade transactions.

RESULTS OF OPERATIONS

Year Ended December 31, 2025 compared to the year ended December 31, 2024

Total Net Revenue

	Year Ended December 31,			
	2024	2025	Change \$	Change %
	<i>(Dollars in thousands)</i>			
Total Net Revenue	\$ 237,560	\$ 212,691	\$ (24,869)	(10.5) %

Total revenue decreased 10.5%, or \$24.9 million, of which \$24.0 million reflects the impact of asset sales. Excluding the impact of asset sales, revenue decreased 0.4%, or \$0.9 million. Spot advertising decreased \$2.5 million, excluding political revenue and a \$1.1 million decrease in local programming, excluding political, primarily in our Christian, Teaching and Talk format radio stations. Spot advertising revenue has been declining in the industry due to reduced time spent listening, particularly on AM radio stations. Political revenue decreased \$0.5 million, or 10.0%, to \$4.1 million from \$4.6 million since 2025 is not an election year. Self-publishing fees decreased \$3.0 million due to the sale of our self-publishing business, Salem Author Services, in July 2025. This decrease was offset by a \$7.0 million increase in digital advertising revenue primarily in our Salem Podcast Network.

Selling, General & Administrative Expenses

	Year Ended December 31,				2024		2025	
	2024	2025	Change \$	Change %	% of Total Net Revenue			
	<i>(Dollars in thousands)</i>							
Selling, General & Administrative Expenses	\$ 213,421	\$ 201,232	\$ (12,189)	(5.7) %	89.8 %		94.6 %	

Selling, general and administrative expenses decreased 5.7%, or \$12.2 million, which includes a \$19.9 million expense reduction from the impact of asset sales. Excluding the impact of asset sales, expenses increased 4.1%, or \$7.7 million. This increased primarily relates to a \$4.0 million increase in professional services expenses, a \$1.7 million increase in third-party marketing expenses, a \$1.6 million increase in health insurance expenses due to increased medical claims, a \$1.0 million increase in bad debt expense, a \$0.8 million increase in employee-related expenses due to reductions in work force, including severance expense, a \$0.3 million increase in production and programming, a \$0.2 million increase in non-cash stock-based compensation expense, that was partially offset a \$1.6 million decrease in advertising and promotion expense and a \$0.5 million decrease in facility-related expenses.

Unallocated Corporate Expenses

	Year Ended December 31,				2024		2025	
	2024	2025	Change \$	Change %	% of Total Net Revenue			
	<i>(Dollars in thousands)</i>							
Unallocated Corporate Expenses	\$ 18,278	\$ 18,081	\$ (197)	(1.1) %	7.7 %		8.5 %	

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 businesses. The decrease of 1.1%, or \$0.2 million, includes a \$0.5 million decrease in employee-related expenses due to reductions in workforce and a \$0.1 million decrease in facility-related expenses, that was offset by a \$0.4 million increase in health insurance expenses.

Restructuring Costs

	Year Ended December 31,				2024		2025	
	2024	2025	Change \$	Change %	% of Total Net Revenue			
	<i>(Dollars in thousands)</i>							
Restructuring Costs	\$ —	\$ 4,048	\$ 4,048	— %	— %		1.9 %	

On December 30, 2024, we announced the sale of our remaining seven CCM radio stations. In connection with the sale, we committed to a plan that resulted in the elimination of certain positions, the termination and/or payment of certain contracts that no longer provide us with any economic benefit and other cost-savings initiatives. The plan was authorized and communicated by management in January 2025.

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

	Year Ended December 31,				2024		2025	
	2024	2025	Change \$	Change %	% of Total Net Revenue			
	<i>(Dollars in thousands)</i>							
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	\$ 4,428	\$ 25,214	\$ 20,786	469.4 %	1.9 %		11.9 %	

Due to the decline in projected revenues for the broadcast industry impacting the remainder of 2025 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, 2025. Based on our review and analysis, we determined that the carrying value of broadcast licenses in

eleven of our market clusters were impaired as of the interim testing period ending June 30, 2025. We recorded an impairment charge of \$25.2 million to the value of broadcast licenses in Atlanta, Boston, Cleveland, Colorado Springs, Dallas, Detroit, Los Angeles, Miami, Philadelphia, Phoenix, and San Francisco. We completed our annual review for impairment in the fourth quarter of 2025. Based on our review and analysis, we did not record an impairment.

We completed our annual review for impairment in the fourth quarter of 2024. Based on our review and analysis, we recorded an impairment of \$4.4 million during the year ended December 31, 2024. We recorded an impairment charge of \$4.4 million to the value of the broadcast licenses in Cleveland, Dallas and Hawaii. The impairment charge was driven by declines in market revenue projections in excess of those used in our prior valuations.

Depreciation and Amortization Expense

	Year Ended December 31,					
	2024	2025	Change	Change	2024	2025
	<i>(Dollars in thousands)</i>				% of Total Net	
Depreciation and Amortization Expense	\$ 10,956	\$ 11,965	\$ (1,009)	(9.2) %	5.0 %	5.2 %

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 reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that had estimated useful lives of three to five years. These items were fully amortized at or near the beginning of the 2025 calendar year resulting in lower amortization expense for this year. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups. This was partially offset by the recent acquisition of the Jim Fink newsletters which includes subscriber base lists and domain names that are amortized over five years.

Net Gain on the Disposition of Assets

	Year Ended December 31,					
	2024	2025	Change \$	Change %	2024	2025
	<i>(Dollars in thousands)</i>				% of Total Net Revenue	
Net Gain on the Disposition of Assets	\$ (5,048)	\$ (7,138)	\$ (2,090)	41.4 %	(2.1) %	(3.4) %

The net gain on the disposition of assets of \$7.1 million for the year ended December 31, 2025, reflects a \$11.1 million pre-tax gain on the sale of our remaining seven CCM radio stations, a \$1.0 million pre-tax gain on the sale of our tower lease in Nashville, Tennessee, a \$0.6 million pre-tax gain on the sale of our office building in Greenville, South Carolina, a \$0.5 million pre-tax gain on the sale of radio station KZTS-AM and two FM translators in Little Rock, Arkansas, and a \$0.2 million pre-tax gain on the sale of the sale of a FM translator in Greenville, South Carolina offset by a \$4.1 million pre-tax loss on the sale of the radio stations in the Hawaii market, a \$1.3 million pre-tax loss on the sale of our self-publishing business, Salem Author Services and a \$1.2 million pre-tax loss on the termination of the corporate headquarters building lease.

The net gain on the disposition of assets of \$5.0 million for the year ended December 31, 2024, reflects a \$3.6 million pre-tax gain on the sale of three radio stations in Nashville, Tennessee and one radio station in Honolulu, Hawaii, a \$1.7 million pre-tax gain related to sale of Regnery® Publishing, a \$1.2 million pre-tax gain on the sale of our shares of Broadcast Music, Inc., a \$0.8 million pre-tax gain on the sale of an easement and our economic interest in a lease in our Pittsburgh, Pennsylvania market, a \$0.4 million pre-tax gain on the sale of radio station KKSP-FM in Little Rock, Arkansas, a \$0.4 million pre-tax gain on the sale-leaseback of our corporate headquarters building, and a \$0.2 million pre-tax gain on the sale of an FM translator in our Greenville, South Carolina site, that was partially offset by a \$1.8 million pre-tax loss on the sale of a building in Honolulu, Hawaii, a \$1.0 million pre-tax loss on the sale of the translator site in Greenville, South Carolina, a pre-tax loss of \$0.3 million for the sale of land in Apopka, Florida and \$0.2 million in net losses from various fixed asset disposals.

Other Income (Expense)

	Year Ended December 31,					
	2024	2025	Change	Change %	2024	2025
	<i>(Dollars in thousands)</i>				% of Total Net Revenue	
Interest Income	\$ 35	\$ 123	\$ 88	251.4 %	— %	0.1 %
Interest Expense	(14,902)	(1,512)	13,390	(89.9) %	(6.3) %	(0.7) %
Gain on Troubled Debt Restructuring	28,656	212	(28,444)	(99.3) %	12.1 %	0.1 %
Net Miscellaneous Income and (Expenses)	21	(1,905)	(1,926)	(9,171.4) %	— %	0.8 %

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

Interest expense includes interest due on outstanding debt balances. The decrease reflects the \$159.4 million repurchase of the 2028 Notes in December 2024 that was partially offset by an increased balance under the ABL facility compared to the same period of the prior year and finance lease obligations outstanding.

The gain on troubled debt restructuring in 2024 reflects the \$159.4 million repurchase of the 2028 Notes for \$104.0 million in cash, recognizing a net gain of \$28.7 million after adjusting for bond issuance costs and discounts.

Net miscellaneous income and expenses include non-operating receipts such as usage fees, insurance proceeds and other miscellaneous expenses and reimbursements, earnings from equity method investment and film impairment.

Benefit from Income Taxes

	Year Ended December 31,					
	2024	2025	Change \$	Change	2024	2025
	<i>(Dollars in thousands)</i>				% of Total Net Revenue	
Benefit from Income Taxes	\$ (7,826)	\$ (8,174)	\$ (348)	4.4 %	(3.3) %	(3.8) %

Tax benefit increased \$0.3 million to \$8.2 million for the year ended December 31, 2025, compared to \$7.8 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 19.1% for the year ended December 31, 2024, compared to (93.7)% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 19.1% is primarily driven by projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, impairment of intangibles and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

At December 31, 2025, we had net operating loss carryforwards for federal income tax purposes of approximately \$29.8 million that expire in years 2026 through 2037 and for state income tax purposes of approximately \$253.0 million that expire in years 2026 through 2045. For financial reporting purposes at December 31, 2025, we had a valuation allowance of \$23.6 million, net of federal benefit, to offset the pre-2018 federal net operating losses and state net operating losses.

Net Income (Loss)

	Year Ended December 31,					
	2024	2025	Change \$	Change %	2024	2025
	<i>(Dollars in thousands)</i>				% of Total Net Revenue	
Net income (loss)	\$ 16,179	\$ (34,610)	\$ (50,789)	(313.9) %	6.8 %	(16.3) %

We had a net loss of \$34.6 million compared to net income of \$16.2 million during the same period of the prior year due to the factors described above.

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 businesses, 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.

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 decreased by \$4.8 million during the year ended December 31, 2025, to \$5.7 million compared to \$10.5 million during the prior year. The decrease in cash used in operating activities includes the impact of the following items:

- Total revenue decreased by \$24.9 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingent earn-out consideration, impairments, and net gain (loss) on the disposition of assets, decreased by \$12.5 million;
- Accounts receivables, net of expected credit losses, decreased by \$6.9 million compared to an increase of \$3.7 million for the prior year;
- Unbilled revenue decreased \$0.2 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, decreased to 48 days at December 31, 2025, from 55 days in the same period of the prior year;
- We received \$10.0 million in a separate marketing agreement with the buyer of the CCM stations to promote its stations and events on our platforms for five years; and
- Net accounts payable and accrued expenses decreased \$2.2 million to \$21.6 million from \$23.8 million as of the prior year.

Investing Cash Flows

Our primary source of investing cash inflows is proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property, equipment, and intangible assets, and to make investments that we believe are beneficial to our business.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital and web-based offerings, improve our facilities, and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately \$5.5 million during 2026.

We invested in a limited liability company that will own, distribute, and market a motion picture. We paid \$3.5 million during the year ended December 31, 2025, received \$1.3 million in proceeds and the investment of \$1.4 million at December 31, 2025 is reflected at cost in other assets.

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 provided by investing activities was \$76.6 million during the year ended December 31, 2024, compared to \$86.4 million during the prior year. The \$9.8 million decrease in cash provided by investing activities was the result of:

- Cash paid for capital expenditures increased \$0.9 million to \$6.0 million from \$5.1 million during the prior year;
- Cash paid for acquisitions decreased \$3.5 million to zero;
- An issuance of \$72.0 million secured promissory note in 2024 that was repaid in 2025;
- Cash paid for investment in an LLC of \$3.5 million during the prior year; and

- Cash received from the sale of assets increased \$61.7 million to \$85.4 million from \$23.7 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 year ended December 31, 2025, the principal balances outstanding under the ABL Facility, unsecured debt and secured promissory note ranged from \$125.4 million to \$134.1 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Net cash used in financing activities during the year ended December 31, 2025, decreased \$7.7 million to \$68.5 million compared to \$76.2 million during the prior year. The decrease in cash used in financing activities includes:

- A \$2.4 million decrease in the book overdraft;
- \$104.0 million of cash used to redeem the remaining \$159.4 million of 2028 Notes during the year ended December 31, 2024;
- \$40.0 million issuance of Redeemable Series B convertible preferred stock during the year ended December 31, 2024 ;
- We paid \$72.0 million in cash to repay the secured promissory note at the close of the sale of the CCM stations on April 4, 2025; and
- Net proceeds on our ABL Facility were \$5.3 million during the year ended December 31, 2025, compared to net payments of \$11.6 million during the same period of the prior year.