Annual Report
For the year ended December 31, 2023

Salem Media Group, Inc.

Delaware	**77-0121400**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4880 Santa Rosa Rd.
Camarillo, CA 93012

(Address of principal executive offices) (Zip Code)

(805) 987-0400
(Company's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of exchange/market on which traded
Class A Common Stock, par value $0.01 per share	SALM	OTCQX
Class B Common Stock, par value $0.01 per share		

Transfer Agent
Broadridge Corporate Solutions, Inc.
51 Mercedes Way
Edgewood, New York 11717

INDEX TO FINANCIAL STATEMENTS

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. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act’).

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Salem Media Group, Inc. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, 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 of the Company as of December 31, 2023 and 2022, 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 audit. 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/ Moss Adams LLP

Los Angeles, CA
March 26, 2024

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

	December 31, 2022	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	**$ —**
Restricted cash	—	**284**
Accounts receivable (net of allowances of $7,939 in 2022 and $8,442 in 2023)	30,756	**32,016**
Unbilled revenue	2,890	**1,175**
Income tax receivable	195	**293**
Other receivables (net of allowances of $586 in 2022 and $640 in 2023)	1,817	**2,665**
Inventories	1,513	**—**
Prepaid expenses	7,619	**5,641**
Assets held for sale	267	**4,732**
Total current assets	45,057	**46,806**
Notes receivable (net of allowance of $571 in 2022 and $454 in 2023)	922	**963**
Property and equipment, net of accumulated depreciation	81,296	**75,054**
Operating lease right-of-use assets	43,671	**44,149**
Financing lease right-of-use assets	63	**67**
Broadcast licenses	303,774	**257,172**
Goodwill	24,085	**22,577**
Amortizable intangible assets, net of accumulated amortization	2,149	**3,591**
Deferred financing costs	681	**1,168**
Other assets	3,424	**3,994**
Total assets	$ 505,122	**$ 455,541**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 34,332	**$ 32,532**
Accrued interest	949	**980**
Contract liabilities	11,901	**12,636**
Deferred rent income	122	**102**
Current portion of operating lease liabilities	8,305	**8,659**
Current portion of financing lease liabilities	43	**33**
Current portion of long-term debt	8,958	**16,831**
Total current liabilities	64,610	**71,773**
Long-term debt, less current portion	150,367	**152,960**
Operating lease liabilities, less current portion	42,406	**41,998**
Financing lease liabilities, less current portion	39	**36**
Deferred income taxes	66,732	**49,348**
Contract liabilities, long-term	1,886	**3,291**
Deferred rent income, less current portion	3,659	**3,567**
Other long-term liabilities	66	**60**
Total liabilities	329,765	**323,033**
Commitments and contingencies (Note 15)		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,980,741 issued and 21,663,091 outstanding at December 31, 2022 and December 31, 2023	232	**232**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2022 and 2023	56	**56**
Additional paid-in capital	248,820	**249,283**
Accumulated \deficit	(39,745)	**(83,057)**
Treasury stock, at cost (2,317,650 shares at December 31, 2022 and 2023)	(34,006)	**(34,006)**
Total stockholders' equity	175,357	**132,508**
Total liabilities and stockholders' equity	$ 505,122	**$ 455,541**

See accompanying notes

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

	Year Ended December 31, 2022	Year Ended December 31, 2023
Net broadcast revenue	$ 205,315	**$ 197,676**
Net digital media revenue	41,661	**41,973**
Net publishing revenue	19,990	**19,004**
Total net revenue	266,966	**258,653**
Operating expenses:		
Broadcast operating expenses (including $1,805 and $2,165 for the years ended December 31, 2022 and 2023, respectively, paid to related parties)	163,992	**171,498**
Legal settlement	4,776	—
Digital media operating expenses	33,750	**34,936**
Publishing operating expenses	22,142	**22,317**
Unallocated corporate expenses (including $527 and $18 for the years ended December 31, 2022 and 2023, respectively, paid to related parties)	18,557	**18,876**
Debt modification costs	255	—
Depreciation	11,339	**11,400**
Amortization	1,272	**2,235**
Change in the estimated fair value of contingent earn-out consideration	(5)	**698**
Impairment of indefinite-lived long-term assets other than goodwill	13,985	**41,717**
Impairment of goodwill	127	**2,580**
Net (gain) loss on the disposition of assets	(8,376)	**(1,295)**
Total operating expenses	261,814	**304,962**
Operating income (loss)	5,152	**(46,309)**
Other income (expense):		
Interest income	171	**60**
Interest expense	(13,060)	**(14,283)**
Gain (loss) on early retirement of long-term debt	48	**(194)**
Earnings from equity method investment	4,065	**4**
Net miscellaneous income and (expenses)	(4)	**26**
Net loss before income taxes	(3,628)	**(60,696)**
Benefit from income taxes	(392)	**(17,384)**
Net loss	$ (3,236)	$ **(43,312)**
Basic loss per share data:		
Basic loss per share Class A and Class B common stock	$ (0.12)	**$ (1.59)**
Diluted loss per share data:		
Diluted loss per share Class A and Class B common stock	$ (0.12)	**$ (1.59)**
Basic weighted average Class A and Class B shares outstanding	27,206,434	27,216,787
Diluted weighted average Class A and Class B shares outstanding	27,206,434	27,216,787

See accompanying notes

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

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Retained Earnings (Accumulate d Deficit)	Treasury	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**		**Stock**	**Total**
Stockholders' equity, December 31, 2021	23,922,974	$ 232	5,553,696	$ 56	$ 248,438	$ (36,509)	$ (34,006)	$ 178,211
Stock-based compensation	—	—	—	—	284	—	—	284
Options exercised	57,767	—	—	—	98	—	—	98
Net loss	—	—	—	—	—	(3,236)	—	(3,236)
Stockholders' equity, December 31, 2022	23,980,741	$ 232	5,553,696	$ 56	$ 248,820	$ (39,745)	$ (34,006)	$ 175,357
Stock-based compensation	**—**	**—**	**—**	**—**	**463**	**—**	**—**	**463**
Options exercised	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net loss	**—**	**—**	**—**	**—**	**—**	**(43,312)**	**—**	**(43,312)**
Stockholders' equity, December 31, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 249,283**	**$ (83,057)**	**$ (34,006)**	**$ 132,508**

See accompanying notes

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

	Year Ended December 31,	
	2022	**2023**
OPERATING ACTIVITIES		
Net loss	$ (3,236)	$ **(43,312)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	284	**463**
Depreciation and amortization	12,611	**13,635**
Amortization of deferred financing costs	963	**1,726**
Non-cash lease expense	8,845	**9,162**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	5	**14**
Provision for bad debts	(1,270)	**(2,161)**
Deferred income taxes	(280)	**(17,384)**
Change in the estimated fair value of contingent earn-out consideration	(5)	**698**
Impairment of indefinite-lived long-term assets other than goodwill	13,985	**41,717**
Impairment of goodwill	127	**2,580**
Gain (loss) on early retirement of debt	(48)	**194**
Net (gain) loss on the disposition of assets	(8,376)	**(1,295)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(4,370)	**2,885**
Income taxes receivable	(195)	**(98)**
Inventories	(427)	**298**
Prepaid expenses and other current assets	(847)	**(1,322)**
Accounts payable and accrued expenses	2,006	**731**
Operating lease liabilities	(9,088)	**(9,613)**
Contract liabilities	(729)	**(2,880)**
Deferred rent income	(151)	**(55)**
Other liabilities	(518)	**(6)**
Income taxes payable	(1,544)	**—**
Net cash provided by (used for) operating activities	7,742	**(4,023)**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(13,286)	**(9,001)**
Capital expenditures reimbursable under tenant improvement allowances	(96)	**(93)**
Deposit on broadcast assets and radio station acquisitions	(750)	**—**
Purchases of broadcast assets and radio stations	(957)	**(5,535)**
Purchases of digital media businesses and assets	(790)	**(25)**
Purchases of publishing businesses and assets	(425)	**—**
Proceeds from equity investment in limited liability corporations	4,500	**—**
Equity investment in limited liability corporations	(3,500)	**(1,500)**
Proceeds from sale of long-lived assets	14,159	**15,507**
Other	247	**316**
Net cash used in investing activities	(898)	**(331)**
FINANCING ACTIVITIES		
Proceeds from the issuance of 2028 Notes	—	**44,685**
Payments to repurchase 2024 Notes	(20,916)	**(38,966)**
Proceeds from borrowings under ABL Facility	51,995	**235,242**
Payments on ABL Facility	(43,037)	**(227,369)**
Payments of debt issuance costs	(51)	**(5,465)**
Payments of acquisition-related contingent earn-out consideration	(4)	**(354)**
Proceeds from the exercise of stock options	98	**—**
Payments on financing lease liabilities	(63)	**(54)**
Restricted cash	—	**(284)**
Book overdraft	3,349	**(3,081)**
Net cash provided by (used in) financing activities	(8,629)	**4,354**
Net increase (decrease) in cash and cash equivalents	(1,785)	**—**
Cash and cash equivalents at beginning of year	1,785	**—**
Cash and cash equivalents at end of year	$ —	**$ —**

See accompanying notes

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

	Year Ended December 31,	
	2022	**2023**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Cash paid for interest	$ 11,842	**$ 12,402**
Cash paid for interest on finance lease liabilities	$ 7	**$ 5**
Cash paid for income taxes, net of refunds	$ 1,626	**$ 99**
Other supplemental disclosures of cash flow information:		
Barter revenue	$ 3,031	**$ 3,332**
Barter expense	$ 2,839	**$ 2,964**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 96	**$ 93**
Right-of-use assets acquired through operating leases	$ 9,675	**$ 11,052**
Right-of-use assets acquired through financing leases	$ 20	**$ 46**
Net assets and liabilities assumed in a non-cash acquisition	$ —	**$ 5,020**
Estimated present value of contingent-earn out consideration	$ 288	**$ 910**

See accompanying notes

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 entities. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which are discussed in Note 19. Segment Data.

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. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

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.

Restricted Cash

Restricted cash includes amounts that are contractually restricted in connection with a credit agreement between the company and Wells Fargo Bank, National Association.

Accounts Receivable and Unbilled Revenue

Accounts receivable, net of allowances: 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 Doubtful Accounts

We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. 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.

Inventory

Inventory consists of books published by Regnery® Publishing. Inventory is recorded at the lower of cost or net realizable value as determined on a weighted average cost method. We review historical data and our own experiences to estimate the value of inventory on hand. Our analysis includes reviewing actual sales returns, royalty reserves, overall economic conditions, and demand for each title. We regularly monitor actual performance to our estimates and make adjustments as necessary. 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. On December 31, 2023, we sold Regnery® Publishing for $3.0 million.

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 no interest in 2022 and capitalized interest of $0.5 million in 2023 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 6, 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 $3.7 million and $2.5 million during the years ended December 31, 2022, and 2023, respectively, related to internally developed software and website development costs. Depreciation expense of the amounts capitalized was $2.8 million and $2.7 million, respectively for each of the years ending December 31, 2022, and 2023.

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. The unobservable inputs are defined in FASB ASC Topic 820 Fair Value Measurements and Disclosures as Level 3 inputs discussed in detail in Note 13, Fair Value Measurements and Disclosures.

We perform our annual impairment testing during the fourth quarter of each year as discussed in Note 8, Broadcast Licenses and in Note 9, 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 entities, digital media entities and publishing entities. 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 year ended December 31, 2023.

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 6.75% Senior Secured Notes (“2024 Notes”) and the 7.125% Senior Secured Notes due 2028 (“2028 Notes”) recorded as a reduction of “Long-term debt – less current portion” in the Consolidated Balance Sheets. Deferred financing costs related to the Asset Based Loan Facility (“ABL Facility”) and the Delayed Draw 2028 Notes are reflected in long term assets net of accumulated amortization. See Note 12, Long-Term Debt.

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.

For financial reporting purposes, we recorded a valuation allowance of $39.5 million as of December 31, 2023, to offset $35.4 million of the deferred tax assets related to federal and state net operating loss carryforwards of $19.7 million and $15.7 million respectively, along with $4.1 million of other financial statement accruals. This balance represents a decrease of $0.5 million during the year, from $40.0 million valuation allowance as of December 31, 2022.

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, 2023, we recognized liabilities associated with uncertain tax positions related to our subsidiary Salem Communications Holding Company's Pennsylvania tax filing. The position taken on the tax returns follows Pennsylvania Notice 2016-01 which provides guidance for reversal of intercompany interest income and associated expense yielding a net loss for Pennsylvania. The current liability recognized for the tax position is $0.2 million including interest and penalty related to the 2020 tax return.

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. An impairment loss for financial statement purposes will result in an income tax benefit during the period incurred as the amortization of broadcasting licenses and goodwill is deductible for income tax purposes.

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. The fair value measurement is based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in Note 13, Fair Value Measurements and Disclosures.

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 $0.2 million and 0.1 million in each of the years ended December 31, 2022, and 2023.

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 entity, 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,	
	2022	**2023**
	(Dollars in thousands)	
Balance, beginning of period	$ 517	$ **617**
Self-funded costs	8,726	**8,349**
Claims paid	(8,626)	**(8,327)**
Ending period balance	$ 617	$ **639**

Fair Value Measurements and Disclosures

As of December 31, 2023, the carrying value of cash and cash equivalents, accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying value of the ABL Facility approximates fair value as the related interest rates approximate rates currently available to the company. The carrying amount of our long-term debt at December 31, 2023, was $159.4 million, compared to the estimated fair value of $149.5 million based on prevailing interest rates and trading activity for our long-term debt. See Note 13, Fair Value Measurements and Disclosures.

Long-term Debt and Debt Covenant Compliance

Our classification of outstanding borrowings on our 2024 Notes and 2028 Notes as long-term debt on our balance sheet is based on our assessment that, under the indentures and after considering our projected operating results and cash flows for the coming year, no principal payments are required to be made within the next twelve months. We may redeem the 2024 Notes and 2028 Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2024 Notes and 2028 Notes, plus accrued and unpaid interest, if any, up to, but not including, the redemption date. See Note 12, Long-Term Debt.

Reserves for Royalty Advances

Royalties are paid in advance to book authors and capitalized as prepaid assets. Royalties are expensed as the related book revenue is earned or when we determine that future recovery of the royalty is not likely. We review historical data associated with royalty advances, earnings and recoverability based on actual results of Regnery® Publishing. Historically, the longer the unearned portion of an advance remains outstanding, the less likely it is that we will recover the advance through the sale of the book. We apply our historical experience to outstanding royalty advances to estimate the likelihood of recovery. A provision was established to expense the balance of any unearned advance which we believe is not recoverable. Our analysis also considers other discrete factors, such as death of an author, any decision to not pursue publication of a title, poor market demand, and other relevant factors. 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.

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 15, 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 16, Stock Incentive Plan.

Advertising and Promotional Cost

Costs of media advertising and associated production costs are expensed as incurred and amounted to approximately $11.0 million and $11.6 million for each of the years ended December 31, 2022, and 2023, 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 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, entity-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 business or operations. 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 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 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 Class A and Class B common stock outstanding during the period plus the dilutive effects of stock options.

Options to purchase 1,706,340 and 2,777,843 shares of Class A common stock were outstanding at December 31, 2022, and 2023. 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.

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,	
	2022	**2023**
Weighted average shares	27,206,434	**27,216,787**
Effect of dilutive securities–- stock options	—	**—**
Weighted average shares adjusted for dilutive securities	27,206,434	**27,216,787**

Segments

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

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

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, 2023, we did not have implicit or explicit arrangements that required consolidation under the guidance in FASB ASC Topic 810.

Equity Method Investment

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

We reviewed OPA in accordance with ASC Topic 810 discussed above. Based on our analysis using the variable interest model, we determined that OPA was a VIE, but because we did not have a controlling financial interest, we were not the primary beneficiary of OPA. Accordingly, we accounted for our investment in OPA in accordance with FASB ASC Topic 323-30*, Investments – Equity Method and Joint Ventures*.

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

We monitor equity method investments for impairment and record a reduction in the carrying value if the carrying exceeds the estimated fair value. An impairment charge is recorded when such impairment is deemed to be other than temporary. To determine whether an impairment is other than temporary, we consider our ability and intent to hold the investment until the carrying amount is fully recovered. Circumstances that indicate an impairment may have occurred include factors such as decreases in quoted market prices or declines in the operations of the investee. The evaluation of the investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. There were no indications of impairment at December 31, 2023.

The documentary motion picture, *2000 Mules*, was released in May 2022. We recorded $4.1 million and $4,000, respectively, of earnings from our equity investment in OPA during the year ended December 31, 2022 and 2023.

Concentrations of Business Risks

We derive a substantial part of our total revenue from the sale of advertising. For the years ended December 31, 2022, and 2023, 28.4% and 25.8%, respectively, of our total broadcast revenue was generated from the sale of broadcast advertising. We are particularly dependent on revenue from stations in the Los Angeles and Dallas markets, which generated 12.8% and 19.3% of the total broadcast advertising revenue for the year ended December 31, 2022, and 13.5% and 18.8% of the total broadcast advertising revenue for the year ended December 31, 2023. Because substantial portions of our revenue is derived from local advertisers in these key markets, our ability to generate revenue in those markets could be adversely affected by local or regional economic downturns.

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 doubtful accounts 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 2023

In September 2022, the FASB issued ASU 2022-04*, Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, to enhance the transparency about the use of supplier finance programs. The ASU was effective January 1, 2023, and is to be applied retrospectively with early adoption permitted. We do not currently utilize Supplier Finance programs, therefore, the adoption of ASU No. 2022-04 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In March 2022, the FASB issued ASU 2022-02, *Troubled Debt Restructurings ("TDRs") and Vintage Disclosures* (Topic 326): *Financial Instruments – Credit Losses*. This amended guidance will eliminate the accounting designation of a loan modification as a TDR, including eliminating the measurement guidance for TDRs. The amendments also enhance existing disclosure requirements and introduce new requirements related to modifications of receivables made to borrowers experiencing financial difficulty. Additionally, this guidance requires entities to disclose gross write-offs by year of origination for financing receivables, such as loans and interest receivable. The ASU was effective January 1, 2023, and is required to be applied prospectively, except for the recognition and measurement of TDRs which can be applied on a modified retrospective basis. The adoption of ASU No. 2022-02 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In *October 2021,* the FASB issued ASU *2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic *606*) rather than adjust them to fair value at the acquisition date. The ASU was effective January 1, 2023, with early adoption permitted. The adoption of ASU No. 2021-08 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

Recent Accounting Standards or Update Not Yet Effective

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) – Common Control Arrangements*. The ASU amends the accounting for leasehold improvements in common control arrangements by requiring a lessee in a common control lease arrangement to amortize leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. Further, a lessee that no longer controls the use of the underlying asset will derecognize the remaining carrying amount of the improvements through an adjustment to equity, reflecting the transfer of the asset to the lessor under common control. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2024), including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year. We are evaluating the effect of adopting this new accounting guidance.

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

NOTE 3. RECENT TRANSACTIONS

During the years ended December 31, 2022 and 2023, we completed the following transactions:

In September 2022, we entered into a settlement agreement in connection with a lawsuit. During mediation held in September 2022, the parties reached a settlement whereby we agreed to $5.3 million in exchange for a release by the plaintiff of all claims. The settlement amount was paid in December 2022.

Related Party Transaction

On May 25, 2023, we sold to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million. On February 26, 2024, we repurchased the economic interests in the leases for $3.5 million.

Debt Transactions

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. Refer to Note 12 of our Consolidated Financial Statements under this annual report for details of these transactions.

Acquisitions

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

On February 1, 2023, we closed on the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. We will pay the seller 25% of net revenue generated from sales of most Eagle Financial products during the next year to subscribers who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On January 10, 2023, we closed on the acquisition of radio stations WWFE-AM, WRHC-AM, two FM translators and six office condominiums in Miami, Florida for $3.0 million in cash.

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

On December 30, 2022, we acquired the book inventory and publishing rights of ISI Publishing for $0.4 million of cash.

On December 2, 2022, we acquired radio station KKOL-AM in Seattle, Washington for $0.5 million in cash. We paid $0.4 million of cash at closing and $0.1 million paid from an escrow account. We had been operating the station under a LMA since June 7, 2021.

On October 1, 2022, we acquired websites and the related assets of DayTradeSPY, a financial publication, for $0.6 million in cash.

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

On May 1, 2022, we began operating radio station WYDB-FM in Dayton, Ohio under a TBA.

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

A summary of our business acquisitions and asset purchased during the year ended December 31, 2022, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition is as follows:

Acquisition Date	Description	Total Consideration
		(Dollars in thousands)
December 30, 2022	ISI Publishing (asset acquisition)	$ 425
December 2, 2022	KKOL-AM Seattle, WA (asset acquisition)	508
October 1, 2022	DayTradeSPY (business acquisition)	881
May 2, 2022	Retirement Media (business acquisition)	190
February 15, 2022	WLCC-AM and FM Translator, Tampa, FL (asset acquisition)	609
		$ 2,613

The total purchase price consideration for our business acquisitions and asset purchases during the year ending December 31, 2022, is as follows:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	$ 2,172
Escrow deposits paid in prior years	160
Fair value of contingent earn-out consideration	281
Total purchase price consideration	$ 2,613

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

	Net Broadcast Assets	Net Digital Media Assets	Net Publishing Assets	Total Net Assets
		(Dollars in thousands)		
Assets				
Inventory	$ —	$ —	$ 126	$ 126
Property and equipment	603	166	—	769
Broadcast licenses	514	—	—	514
Goodwill	—	226	—	226
Customer lists and contracts	—	565	—	565
Domain and brand names	—	103	—	103
Author relationships	—	—	299	299
Non-Compete agreement	—	11	—	11
	$ 1,117	**$ 1,071**	**$ 425**	**$ 2,613**

The total purchase price consideration for our business acquisitions and asset purchases during the year ended December 31, 2023, is as follows:

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

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

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

Divestitures

On December 31, 2023, we sold Regnery® Publishing for $3.0 million, resulting in a pre-tax loss of $1.0 million. We received $2.5 million upon closing, with the remaining $0.5 million to be held in an escrow account for potential expenditures such as liabilities for returns or unpaid royalties, reserves that were taken against royalty payments or co-op incurred for books sold prior to the closing date or other expenses attributable to the operation of the business prior to the closing date.

On December 21, 2023 we sold six condominiums in Miami, Florida for $0.6 million resulting in a pre-tax loss of $0.2 million.

On December 19, 2023 we sold radio station KSAC-FM in Sacramento, California for $1.0 million. Radio station KSAC-FM had been programmed under a Time Brokerage Agreement ("TBA") since August 1, 2023. Based on our plan to sell the station, we recorded an estimated pre-tax loss on the sale of assets of $3.3 million at June 30, 2023, reflecting the sales price as compared to the carrying value of the assets and we recorded an additional pre-tax loss of $0.1 million at closing.

On December 14, 2023 we sold radio station WTWD-AM and a translator in Tampa, Florida for $0.7 million resulting in a pre-tax gain of $0.6 million.

On November 6, 2023 we sold radio stations WGTK-FM, WRTH-FM and WLTE-FM in Greenville, South Carolina for $6.8 million resulting in a pre-tax gain of $1.7 million. We received $6.4 million upon closing, with the remaining $0.4 million to be held in an escrow account for potential expenses attributable to the operation of the business prior to the closing date.

On July 21, 2023 we sold radio station KNTS-AM in Seattle, Washington for $0.2 million resulting in a pre-tax gain of $0.2 million.

On July 13, 2023 we sold radio station KLFE-AM in Seattle, Washington for $0.5 million resulting in a pre-tax gain of $0.2 million. Radio station KLFE-AM had been programmed under a TBA since August 1, 2022.

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

On May 25, 2022, we sold stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a TBA. We recorded a pre-tax gain of $0.5 million.

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

Pending Transactions

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

On October 17, 2023 we entered into an agreement to sell land in Sarasota, Florida for $8.5 million. The closing is conditional upon getting the property rezoned, and we expect to close the sale in late 2024.

On September 29, 2023 we entered into an agreement to sell Salem Church Products for $30.0 million. The $2.1 million carrying value of the assets were reclassed as held for sale as of September 30, 2023. The buyer was unable to secure the necessary financing and close the acquisition, therefore, we reclassed the $2.1 million out of held for sale as of December 31, 2023.

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 for each of our operating segments:

	Year Ended December 31, 2022			
	Broadcast	**Digital Media**	**Publishing**	**Consolidated**
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 53,535	$ —	$ —	$ 53,535
Block Programming – Local	24,873	—	—	24,873
Broadcast Programming Revenue	**78,408**	**—**	**—**	**78,408**
Spot Advertising – National	15,359	—	—	15,359
Spot Advertising – Local	42,964	—	—	42,964
Network Advertising	21,593	—	—	21,593
Broadcast Advertising Revenue	**79,916**	**—**	**—**	**79,916**
Infomercials	735	—	—	735
Other Revenue	9,125	—	—	9,125
Other Broadcast Revenue	**9,860**	**—**	**—**	**9,860**
Digital Advertising	28,967	17,959	—	46,926
Digital Streaming	5,246	3,591	—	8,837
Digital Downloads	628	7,290	—	7,918
Digital Subscriptions	952	12,654	—	13,606
Other Digital Revenue	1,338	167	—	1,505
Digital Revenue	**37,131**	**41,661**	**—**	**78,792**
Book Sales	—	—	14,938	14,938
Estimated Sales Returns & Allowances	—	—	(3,988)	(3,988)
Net Book Sales	—	—	10,950	10,950
E-Book Sales	—	—	1,358	1,358
Self-Publishing Fees	—	—	6,717	6,717
Other Publishing Revenue	—	—	965	965
Publishing Revenue	**—**	**—**	**19,990**	**19,990**
Total Revenue	$ **205,315**	$ **41,661**	$ **19,990**	**$ 266,966**
Timing of Revenue Recognition				
Point in Time	$ 203,062	$ 41,661	$ 19,990	$ 264,713
Rental Income (1)	2,253	—	—	2,253
Total Revenue	$ **205,315**	$ **41,661**	$ **19,990**	**$ 266,966**

	Year Ended December 31, 2023			
	Broadcast	**Digital Media**	**Publishing**	**Consolidated**
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 53,801	$ —	$ —	$ 53,801
Block Programming – Local	24,664	—	—	24,664
Broadcast Programming Revenue	**78,465**	—	—	**78,465**
Spot Advertising – National	12,095	—	—	12,095
Spot Advertising – Local	38,922	—	—	38,922
Network Advertising	20,334	—	—	20,334
Broadcast Advertising Revenue	**71,351**	—	—	**71,351**
Infomercials	625	—	—	625
Other Revenue	8,583	—	—	8,583

Other Broadcast Revenue	**9,208**	—	—	**9,208**
Digital Advertising	30,567	15,846	—	46,413
Digital Streaming	5,486	3,320	—	8,806
Digital Downloads	261	7,023	—	7,284
Digital Subscriptions	855	15,652	—	16,507
Other Digital Revenue	1,483	132	—	1,615
Digital Revenue	**38,652**	**41,973**	—	**80,625**
Book Sales	—	—	11,925	11,925
Estimated Sales Returns & Allowances	—	—	(918)	(918)
Net Book Sales	—	—	11,007	11,007
E-Book Sales	—	—	1,032	1,032
Self-Publishing Fees	—	—	6,316	6,316
Other Publishing Revenue	—	—	649	649
Publishing Revenue	—	—	**19,004**	**19,004**
Total Revenue	$ **197,676**	$ **41,973**	$ **19,004**	**$ 258,653**
Timing of Revenue Recognition				
Point in Time	$ 195,916	$ 41,973	$ 19,004	$ 256,893
Rental Income (1)	1,760	—	—	1,760
Total Revenue	$ **197,676**	$ **41,973**	$ **19,004**	**$ 258,653**

(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 $12^1/_2$, 25 or 50-minutes of time. We separate block programming revenue into three categories, National, Local, and Infomercial revenue. Our stations are classified by format, including Christian Teaching and Talk, News Talk, and Contemporary Christian Music. National and local programming content is complementary to our station format while infomercials are closely associated with long-form advertisements. Block Programming revenue may include variable consideration for charities and programmers that purchase blocks of airtime to generate donations and contributions from our audience. Block programming revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Programming revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

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

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

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

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

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

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

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

Subscriptions. We recognize revenue from the sale of subscriptions for financial publication digital newsletters, conservative 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 labilities. 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, 2023, our prepaid commission expense was $0.6 million.

Contract Liabilities

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

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

	Short Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2023	$ 11,901	$ 1,886
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(9,219)	—
Additional amounts recognized during the period	28,949	3,167
Revenue recognized during the period that was recorded during the period	(20,757)	—
Transfers	1,762	(1,762)
Balance, end of period December 31, 2023	$ **12,636**	**$** **3,291**
Amount refundable at beginning of period	$ 11,901	$ 1,886
Amount refundable at end of period	$ 12,636	$ 3,291

We expect to satisfy these performance obligations as follows:

For the Year Ended December 31,	**Amount** *(Dollars in thousands)*
2024	$ 12,636

2025		2,094
2026		625
2027		156
2028		66
Thereafter		350
	$	**15,927**

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, 2024, and December 31, 2028. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under FASB ASC Topic 606.

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

Variable Consideration

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

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

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

Trade and Barter Transactions

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

Trade and barter revenue and expenses were as follows:

	Year Ended December 31,	
	2022	**2023**
Net broadcast barter revenue	$ 3,031	$ **3,332**
Net broadcast barter expense	$ 2,839	$ **2,964**

NOTE 5. INVENTORIES

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

NOTE 6. PROPERTY AND EQUIPMENT

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

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

	As of December 31,	
	2022	**2023**
	(Dollars in thousands)	
Buildings	$ 28,523	$ **21,970**
Office furnishings and equipment	37,162	**35,177**
Antennae, towers and transmitting equipment	76,950	**79,212**
Studio, production, and mobile equipment	30,267	**31,822**
Computer software and website development costs	42,304	**33,169**
Automobiles	1,633	**1,646**
Leasehold improvements	19,131	**19,549**
	$ 235,970	$ **222,545**
Less accumulated depreciation	(191,638)	**(180,646)**
	44,332	$ **41,899**
Land	$ 27,070	**25,337**
Construction-in-progress	9,894	**7,818**
	$ 81,296	$ **75,054**

Depreciation expense was approximately $11.3 million and $11.4 million for the years ended December 31, 2022, and 2023, 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 period ended December 31, 2023.

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

Leasing Transactions

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

Operating leases are reflected on our balance sheet within operating lease ROU assets and the related current and non-current operating lease liabilities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from 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, 2023.

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 was as follows:

	December 31, 2023 (Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 7,855	$ 36,294	$ 44,149
Operating lease liabilities (current)	$ 1,248	$ 7,411	$ 8,659
Operating lease liabilities (non-current)	6,879	35,119	41,998
Total operating lease liabilities	$ 8,127	$ 42,530	$ 50,657

Weighted Average Remaining Lease Term	
Operating leases	7.2 years
Finance leases	2.5 years
Weighted Average Discount Rate	
Operating leases	8.73%
Finance leases	8.41%

Lease Expense

The components of lease expense were as follows:

	Twelve Months Ended December 31, 2023 (Dollars in thousands)
Amortization of finance lease ROU Assets	$ 42
Interest on finance lease liabilities	6
Finance lease expense	48
Operating lease expense	13,525
Variable lease expense	1,548
Short-term lease expense	446
Total lease expense	$ 15,567

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Twelve Months Ended December 31, 2023 (Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 14,149
Operating cash flows from finance leases	3
Financing cash flows from finance leases	54
Leased assets obtained in exchange for new operating lease liabilities	$ 11,052
Leased assets obtained in exchange for new finance lease liabilities	46

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, 2023, are as follows:

	Operating				
	Related Party	Other	Total	Finance	Total
	(Dollars in thousands)				
2024	$ 1,962	$ 11,468	$ 13,430	$ 37	$ 13,467
2025	1,993	10,904	12,897	21	12,918
2026	1,904	8,939	10,843	14	10,857

2027	1,524	6,025	7,549	3	7,552
2028	878	5,158	6,036	1	6,037
Thereafter	3,023	18,490	21,513	—	21,513
Undiscounted Cash Flows	$ 11,284	$ 60,984	$ 72,268	$ 76	$ 72,344
Less: imputed interest	(3,157)	(18,454)	(21,611)	(7)	(21,618)
Total	**$ 8,127**	**$ 42,530**	**$ 50,657**	**$ 69**	**$ 50,726**
Reconciliation to lease					
Lease liabilities – current	$ 1,248	$ 7,411	$ 8,659	$ 33	$ 8,692
Lease liabilities – long-term	6,879	35,119	41,998	36	42,034
Total Lease Liabilities	**$ 8,127**	**$ 42,530**	**$ 50,657**	**$ 69**	**$ 50,726**

NOTE 8. BROADCAST LICENSES

We account for broadcast licenses in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired. In the case of our broadcast radio stations, we would not be able to operate the properties without the related broadcast license for each property. Broadcast licenses are renewed with the FCC every eight years for a nominal fee that is expensed as incurred. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal and all of our broadcast licenses have been renewed. 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 6.2 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,	
	2022	**2023**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment	$ 434,444	**$ 429,890**
Accumulated loss on impairment	(114,436)	**(126,116)**
Balance, beginning of period after cumulative loss on impairment	320,008	**303,774**
Acquisitions of radio station and FM Translators	514	**3,542**
Capital projects to improve broadcast signal and strength	—	**200**
Disposition of radio stations and FM translators	(2,763)	**(8,627)**
Loss on impairment	(13,985)	**(41,717)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 257,172**
Balance, end of period before cumulative loss on impairment	$ 429,890	**$ 419,845**
Accumulated loss on impairment	(126,116)	**(162,673)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 257,172**

Broadcast Licenses Impairment Test

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.

We continued to monitor the critical accounting estimates used in our valuations and determined that interim impairment testing was appropriate during the second and third quarters of 2023. Our annual testing was completed in the fourth quarter of 2023 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 has 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, 2023 Percentage Range by Which Latest Estimated Fair Value Exceeds 2023 Carrying Value	
	≤ 50%	> + 50%
Number of accounting units	**20**	**2**
Broadcast license carrying value (in thousands)	**$ 207,646**	**$ 30,672**

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise 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 entity has to purchase, build, or rent all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses, and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product ("GDP") inflation rates.

The primary assumptions used in the Greenfield Method are:
1. gross operating revenue in the station's designated market area,
2. normalized market share,
3. normalized profit margin,
4. duration of the "ramp-up" period to reach normalized operations, (which was assumed to be three years),
5. estimated start-up costs (based on market size),
6. ongoing replacement costs of fixed assets and working capital,
7. the calculations of yearly net free cash flows to invested capital; and
8. amortization of the intangible asset, or the broadcast license.

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

Broadcast Licenses	December 31, 2022	**June 30, 2023**	**September 30, 2023**	**December 31, 2023**
Risk-adjusted discount rate	9.5%	9.5%	10.0%	**10.0%**
Operating profit margin ranges	3.9% - 30.4%	3.9% - 30.4%	3.9% - 30.4%	**3.1% - 30.7%**
Long-term revenue growth rates	0.4% - 0.8%	0.4% - 0.8%	0.0%	**0.0%**

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 recorded impairment charges of $41.7 million during the year ended December 31, 2023. During our annual testing in the fourth quarter of 2023, we recorded an aggregate impairment charge of $3.3 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Columbus, Detroit, Little Rock, Miami, Orlando, Philadelphia, Phoenix, Portland, San Diego, San Francisco and Tampa at December 31, 2023. The impairment charge was driven by declines in market revenue projections in excess of those used in our prior valuations. We recorded an aggregate impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa at September 30, 2023. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023, continued softening in radio market advertising revenue, a reduction in the future industry growth rates based on current economic indicators and rising interest rates that increase the WACC. We recorded an aggregate impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco at June 30, 2023. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023 and a reduction in the future industry growth rates based on current economic indicators. We engaged Bond & Pecaro to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million at March 31, 2023.

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, 2023
Atlanta, GA	4.1%
Boston, MA	(0.9)%
Chicago, IL	(1.1)%
Cleveland, OH	(2.2)%
Colorado Springs, CO	2.7%
Columbus, OH	(2.1)%
Dallas, TX	0.4%
Detroit, MI	(1.2)%
Honolulu, HI	1.6%
Little Rock, AR	(22.0)%
Los Angeles, CA	4.9%
Miami, FL	(20.1)%
Minneapolis, MN	39.9%
New York, NY	0.2%
Orlando FL	(3.4)%
Philadelphia, PA	(5.2)%
Phoenix, AZ	(2.9)%
Portland, OR	(1.5)%
Sacramento, CA	0.3%
San Diego, CA	(10.3)%
San Francisco, CA	(7.2)%
Tampa, FL	(8.6)%

NOTE 9. GOODWILL

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

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,	
	2022	**2023**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,749	$ **28,975**
Accumulated loss on impairment	(4,763)	**(4,890)**
Balance, beginning of period after cumulative loss on impairment	23,986	**24,085**
Acquisitions of radio stations	—	**80**
Acquisitions of digital media entities	226	**1,181**
Disposition of publishing entities	—	**(189)**
Loss on impairment	(127)	**(2,580)**
Ending period balance	$ 24,085	$ **22,577**
Balance, end of period before cumulative loss on impairment	28,975	**30,047**
Accumulated loss on impairment	(4,890)	**(7,470)**
Ending period balance	$ 24,085	$ **22,577**

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 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.

We continued to monitor the critical accounting estimates used in our valuations and determined that interim impairment testing was appropriate for the second and third quarters of 2023. Our annual testing in the fourth quarter of 2023 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 entity to its carrying value, including goodwill. Under the market approach, we apply a multiple of four to each entity's operating income to estimate the fair value. We believe that a multiple of four is a reasonable indicator of fair value as described in Note 8, Broadcast Licenses.

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 enterprise value as part of this quantitative test.

Goodwill - Broadcast Markets

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 31 market clusters have goodwill associated with them as of our annual testing period ended December 31, 2023.

Based on our qualitative review, it was determined not to perform any additional testing for the broadcast market goodwill impairment during our annual testing period. We previously engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value 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 were as follows:

Broadcast Markets Enterprise Valuations	December 31, 2022
Risk-adjusted discount rate	9.5%
Operating profit margin ranges	17.2% - 37.3%
Long-term revenue growth rates	0.6% - 0.7%

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

Based on our review and analysis, we determined that no impairment charges were necessary to the carrying value of our broadcast market goodwill as of the annual testing period ended December 31, 2023.

Goodwill – Digital Media

The unit of accounting we use to test goodwill in our digital media segment is the entity 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 entity level is the level reviewed by management and the lowest level for which discrete financial information is available.

We tested one entity at December 31, 2023 based on the length of time elapsed from the last valuation. Based on our qualitative review, we tested one digital media entity for goodwill impairment at June 30, 2023 and two digital media entities at September 30, 2023. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise value of the entity. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

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

Digital Media Enterprise Valuations	December 31, 2022	**June 30, 2023**	**September 30, 2023**	**December 31, 2023**
Risk adjusted discount rate	10.5%	10.5%	11.0%	**11.0%**
Operating profit margin ranges	0.9% - 5.3%	(1.5)% – 3.0%	(13.6)% - 21%	**21.9% - 22.3%**
Long-term revenue growth rates	0.6%	0.6%	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 entities as of the annual testing period ended December 31, 2023. Based on our review and analysis, we recorded an impairment charge of $0.4 million to the carrying value of goodwill associated with Townhall.com® at September 30, 2023 and a $1.8 million impairment charge to the carrying value of goodwill associated with Townhall.com® at June 30, 2023. The impairment charge was driven by an increase in the WACC and the decreased revenue growth rates within the industry over those used in the year-end valuation forecasts and increases. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

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

	Digital Media Entities as of December 31, 2023 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 (*in thousands*)	—	—	—	**$ 5,391**

Goodwill - Publishing

The unit of accounting we use to test goodwill in our publishing segment is the entity level for Regnery® Publishing and Salem Author Services. Regnery® Publishing is a book publisher based in Washington DC that operates from a stand-alone facility under one general manager, with operating results and cash flow reported at the entity level. Salem Author Services operates a self-publishing business from a stand-alone facility in Orlando, Florida under one general manager who is responsible for the operating results and cash flow. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available.

Each of these publishing entities have goodwill associated with them as of our annual testing period ended December 31, 2023. We tested Salem Author Services based on the amount by which the latest estimated fair value exceeded the carrying value. We also tested two entities during interim testing at September 30, 2023. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value this publishing entity to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

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

Publishing Enterprise Valuations	December 31, 2022	**September 30, 2023**	**December 31, 2023**
Risk adjusted discount rate	10.5%	11.0%	**11.0%**
Operating margin ranges	(9.0)% -4.9%	(17.9)% - 2.4%	**2.6% - 3.1%**
Long-term revenue growth rates	0.5%	0.5%	**0.5%**

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

Based on our review and analysis, we determined that no impairment charges were necessary to the carrying value of goodwill associated with our publishing entities as of the annual testing period ended December 31, 2023. Based on our review and analysis, we recorded an impairment charge of $0.3 million to the carrying value of goodwill associated with Salem Author Services at September 30, 2023. The impairment charge was driven by an increase in the WACC and the decreased revenue growth rates within the industry over those used in the year-end valuation forecasts and increases. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the percentage within a range by which the estimated fair value exceeded the carrying value of our remaining accounting units, including goodwill.

	Publishing Entities as of December 31, 2023 Percentage Range by Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>11% to 20%	>21% to 50%	> than 51%
Number of accounting units	—	—	**1**	—
Carrying value including goodwill (*in thousands*)	—	—	**$ 1,303**	—

NOTE 10. AMORTIZABLE INTANGIBLE ASSETS

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

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

	As of December 31, 2023		
	Cost	Accumulated Amortization	**Net**
	(Dollars in thousands)		
Customer lists and contracts	$ **23,677**	**$** **(23,171)**	**$** **506**
Domain and brand names	**19,854**	**(19,142)**	**712**
Favorable and assigned leases	**1,479**	**(1,479)**	**—**
Subscriber base and lists	**10,416**	**(9,156)**	**1,260**
Author relationships	**1,089**	**(1,089)**	**—**
Non-compete agreements	**3,586**	**(2,473)**	**1,113**
Other amortizable intangible assets	**1,411**	**(1,411)**	**—**
	$ **61,512**	**$** **(57,921)**	**$** **3,591**

Amortization expense was approximately $1.3 million and $2.2 million for the years ended December 31, 2022, and 2023, respectively. Based on the amortizable intangible assets as of December 31, 2023, we estimate amortization expense for the next five years to be as follows:

Year ended December 31,	**Amortization Expense**
	(Dollars in thousands)
2024	$ 1,586
2025	1,401
2026	361
2027	231
2028	12
Thereafter	—
Total	$ **3,591**

NOTE 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of the following:

	As of December 31, 2022	As of December 31, 2023
	(Dollars in thousands)	
Accounts payable	$ 6,539	$ **5,412**
Accrued expenses	17,495	**17,021**
Accrued compensation and related expenses	10,298	**10,099**
	$ 34,332	$ **32,532**

NOTE 12. LONG-TERM DEBT

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

Long-term debt consists of the following:

	December 31, 2022	**December 31, 2023**
	(Dollars in thousands)	
2028 Notes	$ 114,731	$ **159,416**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%	(3,253)	**(6,456)**
2028 Notes net carrying value	111,478	**152,960**
2024 Notes	39,035	—
Less unamortized debt issuance costs based on imputed interest rate of 7.10%	(146)	—
2024 Notes net carrying value	38,889	—
Asset-Based Revolving Credit Facility principal outstanding (1)	8,958	**16,831**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	$ **169,791**
Less current portion	8,958	**16,831**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,960**

(1) As of December 31, 2023, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $26.0 million, $16.8 million in outstanding borrowings, a $3.0 million availability block, resulting in a $6.2 million borrowing base availability.

Our weighted average interest rate was 6.85% and 7.38% at December 31, 2022, and December 31, 2023, respectively.

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

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $16.8 million outstanding borrowings under the ABL facility, with interest payments due at SOFR plus 4.5% per annum with a SOFR floor of 4.3%; and
- Commitment fee of 0.35% per annum on the unused portion of the ABL Facility.

2028 Notes

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

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

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrues on the 2028 Notes from September 10, 2021, and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2021. Based on the balance of the 2028 Notes outstanding at December 31, 2023, we are required to pay $11.4 million per year in interest. As of December 31, 2023, accrued and unpaid interest on the 2028 Notes was $1.0 million.

The indenture to the 2028 Notes contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At December 31, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.3 million, of which $0.2 million of third-party debt modification costs were expensed during the three months ended March 31, 2022. During the twelve-month period ended December 31, 2022 and 2023, $0.7 million and $1.5 million, respectively, of debt issuance costs, discount and delayed draw associated with the Notes was amortized to interest expense.

2024 Notes

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

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

We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During twelve-month period ended December 31, 2022, and 2023, $0.2 million and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

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

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

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
June 13, 2022	5,000	4,947	98.95%	35	18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
October 25, 2021	2,000	2,020	101.00%	19	(39)
October 12, 2021	250	251	100.38%	2	(3)
October 5, 2021	763	766	100.38%	7	(10)
October 4, 2021	628	629	100.13%	6	(7)
September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27
December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24

February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 105,639	$ 102,902		$ 1,310	$ 1,427

Asset-Based Revolving Credit Facility

New Agreement with Siena Lending Group, Inc.

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, 2026, 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 certain trailing three-month EBITDA targets not be met. The targets will be mutually agreed between Siena and the company on an annual basis following the closing date. The Availability Block will remain in effect until such time as the company resumes meeting the EBITDA targets.

As of December 31, 2023, the amount available under the ABL Facility was $26.0 million of which $16.8 million was outstanding. All borrowings under the ABL Facility accrue interest at a rate equivalent to 30 Day Term SOFR Rate plus 4.3% 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, 30 Day Term SOFR rate plus 4.7% 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 issue costs of $1.2 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 year ended December 31, 2023, $13,000, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At December 31, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 9.84%.

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

Previous Credit Agreement with Wells Fargo Bank, National Association.

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement ("Credit Agreement") by and among us and our subsidiaries, parties thereto as borrowers, Wells Fargo Bank, National Association ("Prior ABL Facility'), as administrative agent and lead arranger, and the lenders that are parties thereto. We used the proceeds of the Prior ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities and related fees and expenses. Current proceeds from the Prior ABL Facility were used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The Prior ABL Facility was a $30.0 million revolving credit facility due March 1, 2024, which included a $5.0 million sub-facility for standby letters of credit and a $7.5 million sub-facility for swingline loans. All borrowings under the ABL Facility accrued interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which was based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurred, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The April 7, 2020 amendment also allowed for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued.

Availability under the ABL Facility was subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The ABL Facility had a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets, and by a second-priority lien on the notes priority collateral. There was no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

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

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

Because the availability of our previous ABL Facility was less than $4.5 million starting in the second quarter of 2023, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level and therefore, we were not in compliance with that covenant. During the remainder of the year, we signed multiple forbearance agreements, whereby the bank agreed not to exercise remedies on the default. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $7.5 million. Finally, the interest rate on the ABL Facility was increased to Secured Overnight Financing Rate ("SOFR") plus 4% or base rate plus 3.0% effective July 1, 2023.

We recorded debt issue costs of $1.1 million as an asset being amortized to non-cash interest expense over the term of the Prior ABL Facility using the effective interest method. During each of the years ended December 31, 2022, and 2023, $0.1 million and $0.2 million, respectively, of debt issuance costs associated with the Prior ABL Facility was amortized to interest expense.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2023 for each of the next five years and thereafter are as follows:

	Amount
For the Year Ended December 31,	*(Dollars in thousands)*
2024	$ 16,831
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ **176,247**

NOTE 13. FAIR VALUE MEASUREMENTS AND DISCLOSURES

As of December 31 2023, the carrying value of cash and cash equivalents, accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes at December 31, 2023 was $159.4 million compared to the estimated fair value of $149.5 million, based on the prevailing interest rates and trading activity of our Notes.

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

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

	December 31, 2023			
	Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
	(Dollars in thousands)			
Liabilities:				
Estimated fair value of contingent earn-out consideration included in accrued expenses	**$ 910**	—	—	$ 910
Long-term debt less unamortized discount and debt issuance costs	**152,960**	—	162,345	—

NOTE 14. INCOME TAXES

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

At December 31, 2023, we had net operating loss carryforwards for federal income tax purposes of approximately $93.8 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $571.7 million that expire in years 2024 through 2043. For financial reporting purposes at December 31, 2023, we had a valuation allowance of $39.5 million, net of federal benefit, to offset the pre-2018 federal net operating losses and state net operating losses.

The consolidated provision for income taxes is as follows:

	Year Ended December 31,	
	2022	**2023**
	(Dollars in thousands)	
Current:		
Federal	$ —	$ —
State	(113)	—
	(113)	—
Deferred:		
Federal	(1,551)	**(11,468)**
State	1,272	**(5,916)**
	(279)	**(17,384)**
Benefit from income taxes	$ (392)	**$ (17,384)**

Consolidated deferred tax assets and liabilities consist of the following:

	As of December 31,	
	2022	**2023**
	(Dollars in thousands)	
Deferred tax assets:		
Financial statement accruals not currently deductible	$ 1,977	**$ 2,099**
Allowance for bad debt reserve	2,075	**2,125**
Net operating loss, AMT credit and other carryforwards	35,846	**35,608**
State taxes	60	**40**
Operating lease liabilities	13,224	**12,724**
Other	5,869	**8,513**
Total deferred tax assets	59,051	**61,109**
Valuation allowance for deferred tax assets	(39,950)	**(39,494)**
Net deferred tax assets	$ 19,101	**$ 21,615**

Deferred tax liabilities:		
Excess of net book value of property and equipment and software for financial reporting purposes over tax basis	$ 13	**$ 268**
Excess of net book value of intangible assets for financial reporting purposes over tax basis	74,524	**59,609**
Operating lease right-of-use assets	11,296	**11,086**
Total deferred tax liabilities	85,833	**70,963**
Net deferred tax liabilities	$ (66,732)	**$ (49,348)**

The following table reconciles the above net deferred tax liabilities to the financial statements:

	As of December 31,	
	2022	**2023**
	(Dollars in thousands)	
Deferred income tax asset per balance sheet	$ —	**$** —
Deferred income tax liability per balance sheet	(66,732)	(49,348)
	$ (66,732)	**$** (49,348)

A reconciliation of the statutory federal income tax rate to the benefit from income tax is as follows:

	Year Ended December 31,	
	2022	**2023**
	(Dollars in thousands)	
Statutory federal income tax (statutory tax rate)	$ (762)	$ **(12,746)**
Effect of state taxes, net of federal	892	**(4,674)**
Permanent items	217	**268**
State rate change	(1,064)	**276**
Valuation allowance	(626)	**(562)**
Stock based compensation cancellation	38	**9**
Other, net	913	**45**
Benefit from income taxes	$ (392)	$ **(17,384)**

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.

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into U.S. law. The IRA includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. We determined that the IRA did not have a material impact to our consolidated financial statements when considering our year-end tax provision.

A provision of the Tax Cuts and Jobs Act (“TCJA”) took effect on January 1, 2022, that amended Section 174 to require capitalization and amortization of research and experimental (“R&E”) expenditures and software development costs. The capitalized R&E and software development costs associated with research conducted in the United States is amortized ratably over a 5-year period (15-year period for research conducted outside of the United States), beginning with the midpoint of the taxable year in which such expenditures are paid or incurred. We determined that the TCJA did not have a material impact to our consolidated financial statements when considering our year-end tax provision.

NOTE 15. 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.

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

NOTE 16. 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"). A maximum of 8,000,000 shares are authorized under the Plan of which 1,468,808 were available for issuance at December 31, 2023. 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.

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, 2022, and 2023:

	Year Ended December 31,	
	2022	**2023**
	(Dollars in thousands)	
Stock option compensation expense included in unallocated corporate expenses	$ 83	**$ 280**
Restricted stock shares compensation expense included in corporate expenses	54	**—**
Stock option compensation expense included in broadcast operating expenses	88	**126**
Stock option compensation expense included in digital media operating expenses	59	**53**
Stock option compensation expense included in publishing operating expenses	—	**4**
Total stock-based compensation expense, pre-tax	$ 284	**$ 463**
Tax expense from stock-based compensation expense	(74)	**(120)**
Total stock-based compensation expense, net of tax	$ 210	**$ 343**

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.

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the years ended December 31, 2022, and 2023:

	Year Ended December 31, 2022	**Year Ended December 31, 2023**
Expected volatility	85.06%	**87.94%**
Expected dividends	—%	**—%**
Expected term (in years)	9.0	**8.4**
Risk-free interest rate	1.97%	**3.69%**

Activity with respect to the company's option awards during the two years ended December 31, 2023, 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, 2022	1,925,417	$ 3.01	$ 1.37	4.4 years	$ 1,310
Granted	127,500	3.01	2.44		—
Exercised	(42,913)	2.27	1.12		52
Forfeited or expired	(303,664)	5.16	2.75		3
Outstanding at December 31, 2022	1,706,340	2.68	1.23	4.2 years	$ —
Exercisable at December 31, 2022	968,590	3.30	1.37	2.6 years	—
Expected to Vest	700,494	2.70	1.24	4.2 years	$ —
Outstanding at January 1, 2023	**1,706,340**	**$ 2.68**	**$ 1.23**	**4.2 years**	**$ —**
Granted	**1,249,500**	**1.06**	**0.87**		**—**
Exercised	**—**	**—**	**—**		**—**
Forfeited or expired	**(177,997)**	**4.90**	**1.42**		**—**
Outstanding at December 31, 2023	**2,777,843**	**1.90**	**1.07**	**5.3 years**	**$ —**
Exercisable at December 31, 2023	**1,108,343**	**2.74**	**1.20**	**2.5 years**	**—**
Expected to Vest	**1,585,190**	**1.91**	**1.08**	**5.2 years**	**$ —**

Activity with respect to the company's restricted stock awards during the year ended December 31, 2023, 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, 2022	—	$ —	—	$ —
Granted	14,854	3.66	—	54
Lapse of restrictions	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2022	14,854	$ 3.66	1.20 years	$ 16
Non-Vested at January 1, 2023	**14,854**	**$ 3.66**	**1.20 years**	**$ 16**
Granted	—	**—**	**—**	**—**
Lapse of restrictions	—	**—**	**—**	**—**
Forfeited or expired	—	**—**	**—**	**—**
Outstanding at December 31, 2023	**14,854**	**$ 3.66**	**0.2 years**	**$ 6**

Additional information regarding options outstanding as of December 31, 2023, is as follows:

Range of Exercise Prices	Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
$1.00 - $3.00	2,088,750	6.3	$ 1.30	519,250	$ 1.57
$3.01 - $3.28	455,587	2.9	3.25	355,587	3.25
$3.29 - $4.63	63,500	1.7	3.77	63,500	3.77
$4.64 - $6.65	169,006	0.6	4.85	169,006	4.85
$6.66 - $8.16	1,000	0.4	8.16	1,000	8.16
	2,777,843	**5.3**	**$ 1.90**	**1,108,343**	**$ 2.74**

The aggregate intrinsic value represents the difference between the company's closing stock price on December 31, 2023 of $0.39 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, 2022, and 2023 was $0.3 million and $0.2 million, respectively.

As of December 31, 2023, there was $0.5 million of total unrecognized compensation cost related to non-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 2.8 years.

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 entity 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, 2022 and December 31, 2023 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 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 each of the year's ending December 31, 2022, and 2023 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 Executive Chairman and its Chairman Emeritus. Rental expense under these leases included in operating expense for each of the years ending December 31, 2022, and 2023 was $1.6 million and $1.9 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 2022 and 2023 the company billed Know the Truth approximately $0.4 million and $0.5 million, respectively, for airtime on its stations. The company had receivable balances of $37,000 and $0.2 million at December 31, 2022, and 2023, respectively. 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 for the years ended December 31, 2022, and 2023 was approximately $0.4 million and $18,000, respectively.

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 was suspended in March 2020 to reduce costs and conserve cash as a result of the economic impact of the COVID-19 pandemic but was reinstated in January 2022 then it was suspended again July 2023. The company contributed and expensed \$2.1 million and \$1.1 million, respectively, into the 401(k) Plan during the years ended December 31, 2022 and 2023.

NOTE 19. SEGMENT DATA

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

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

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

Broadcast

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

Salem Radio Network™ (“SRN™”), based in Dallas, Texas, develops, produces, and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,000 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today’s Christian Music (“TCM”) and Singing News® Radio.

Salem Media Representatives (“SMR”) is our national advertising sales firm with offices in 15 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets.

Salem Surround, our national multimedia advertising agency with locations in 29 markets across the United States, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as providing a full-service multimedia marketing strategy for each of our clients.

Salem Podcast Network (“SPN), is a highly specialized platform for conservative, political, news, and family-oriented podcasts. SPN reaches over 13 million downloads per month, and regularly ranks amount the top 100 most downloaded news and political podcasts according to the Apple Podcast Rankings.

SalemNOW is our online destination to a watch variety of on-demand. SalemNOW is dedicated exclusive conservative and faith-based films consisting of box office hits, acclaimed documentaries, music festivals, interviews with top Christian artists, events with our conservative talk show hosts and may other videos. SalemNOW can be found on mobile apps, and streaming services such as Roku, Apple TV, Amazon Fire Stick and select smart TVs.

Salem News Channel (“SNC”) is a conservative news, opinion and commentary television network hosted by a number of engaging, compelling and respected conservative media personalities. SNC’s mission is to serve the media needs of audiences interested in political news and opinion content with a Judeo, Christian world vision and seeks to become the leading provider of conservative news and option content for the rapidly growing over-the-top television and multi-screen digital audience.

Digital Media

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

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

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

Publishing

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

The table below presents financial information for each operating segment as of December 31, 2022, and 2023 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2022					
Net revenue	$ 205,315	$ 41,661	$ 19,990	$ —	$ 266,966
Operating expenses	163,992	33,750	22,142	18,557	238,441
Net operating income (loss)	$ 41,323	$ 7,911	$ (2,152)	$ (18,557)	$ 28,525
Legal settlement	4,776	—	—	—	4,776
Debt modification costs	—	—	—	255	255
Depreciation	6,222	3,775	315	1,027	11,339
Amortization	15	1,257	—	—	1,272
Change in the estimated fair value of contingent earn-out consideration	—	(5)	—	—	(5)
Impairment of indefinite-lived long-term assets other than goodwill	13,985	—	—	—	13,985
Impairment of goodwill	127	—	—	—	127
Net (gain) loss on the disposition of assets	(8,406)	—	—	30	(8,376)
Net operating income (loss)	$ 24,604	$ 2,884	$ (2,467)	$ (19,869)	$ 5,152

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2023					
Net revenue	**$ 197,676**	**$ 41,973**	**$ 19,004**	**$ —**	**$ 258,653**
Operating expenses	**171,498**	**34,936**	**22,317**	**18,876**	**247,627**
Net operating income (loss)	**$ 26,178**	**$ 7,037**	**$ (3,313)**	**$ (18,876)**	**$ 11,026**
Depreciation	**6,455**	**3,966**	**242**	**737**	**11,400**
Amortization	**2**	**2,134**	**99**	**—**	**2,235**
Change in the estimated fair value of contingent earn-out consideration	—	**698**	—	—	**698**
Impairment of indefinite-lived long-term assets other than goodwill	**41,717**	**—**	**—**	**—**	**41,717**
Impairment of goodwill	**—**	**2,270**	**310**	**—**	**2,580**
Net (gain) loss on the disposition of assets	**(2,342)**	**53**	**992**	**2**	**(1,295)**
Operating income (loss)	**$ (19,654)**	**$ (2,084)**	**$ (4,956)**	**$ (19,615)**	**$ (46,309)**

	Broadcast	Digital Media	Publishing	Corporate	Consolidated
			(Dollars in thousands)		
As of December 31, 2022					
Inventories, net	$ —	$ —	$ 1,513	$ —	$ 1,513
Property and equipment, net	63,634	7,751	546	9,365	81,296
Broadcast licenses	303,774	—	—	—	303,774
Goodwill	2,623	20,016	1,446	—	24,085
Amortizable intangible assets, net	213	1,637	299	—	2,149

	Broadcast	Digital Media	Publishing	Corporate	Consolidated
			(Dollars in thousands)		
As of December 31, 2023					
Inventories, net	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Property and equipment, net	**64,881**	**6,807**	**364**	**3,002**	**75,054**
Broadcast licenses	**257,172**	**—**	**—**	**—**	**257,172**
Goodwill	**2,702**	**18,928**	**947**	**—**	**22,577**
Amortizable intangible assets, net	**—**	**3,591**	**—**	**—**	**3,591**

NOTE 20. SUBSEQUENT EVENTS

On March 20, 2024 we entered into an agreement to sell three radio stations in Nashville, Tennessee and one radio station in Honolulu, Hawaii for $7.0 million. The sales is expected to close in the second quarter of the year.

On February 23, 2024 we sold the transmitter site in Greenville, South Carolina for $3.0 million. On February 26, 2023, we repurchased the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million from a related party.

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

On January 25, 2024 we entered into a sale leaseback agreement for our corporate headquarters building for $6.2 million. The $4.7 million carrying value of the assets were reclassed as held for sale as of December 31, 2023. The related lease is for five years at $0.5 million in annual lease payments.

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 the forward-looking statements as a result of various factors. These factors include, but are not limited to:

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

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

Overview

Salem is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com.

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

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

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;

- fees earned for the creation of custom digital media campaigns and websites for our customers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- the sale of advertising time through podcasts and video-on-demand services;
- product sales and royalties for on-air host materials, podcasts, programs and media content including documentary motion pictures, films; and
- other revenue such as events, including ticket sales and sponsorships, listener purchase programs, where revenue is generated from special discounts and incentives offered to our listeners from our advertisers; talent fees for voice-overs or custom endorsements from our on-air personalities and production services, and rental income for studios, towers or office space.

Our principal sources of digital media revenue include:

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

Our principal sources of publishing revenue include:

- the sale of books and e-books;
- publishing fees from authors; and
- the sale of digital advertising in digital newsletters.

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

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

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets, our national networks and our national sales firms, including Salem Surround.

Revenue generated from our radio stations, networks, and sales firms is reported as broadcast revenue in our Consolidated Financial Statements included in this annual report. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case revenue is reported net of the commission retained by the agency.

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

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

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

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

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case revenue is reported net of the commission retained by the agency. During each of the years ended December 31, 2022, and 2023, 99% and 98%, respectively, of our broadcast revenue was sold for cash.

Broadcast operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease 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 segment provides Christian, conservative, investing, retirement, e-commerce, audio and video streaming, and other resources digitally through the web.

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

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

Publishing

Our publishing operations include book publishing through Regnery® Publishing and self-publishing services through Salem Author Services. On December 31, 2023, we sold Regnery® Publishing for $3.0 million.

Revenue generated from this segment is reported as publishing revenue in our Consolidated Statements of Operations included in this annual report. Publishing revenue is impacted by the retail price of books and e-books, the number of books sold, the number and retail price of e-books sold, and the number and rate at which self-published books are published. Regnery®

Publishing revenue is impacted by elections as it generates higher levels of interest and demand for publications containing conservative and political based opinions.

The primary operating expenses incurred by our publishing businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses; and (iv) cost of goods sold that includes book printing and production costs, fulfillment costs, author royalties and inventory reserves.

Known Trends and Uncertainties

Ongoing global supply chain disruptions from the pandemic, military conflict in Ukraine, increases in consumer prices, persistent inflation, and the Federal Reserve's raising of the federal funds interest rate may have a material adverse impact on our business. To the extent that any of these factors interfere with our customers' advertising and promotional spending, we could experience reductions in revenue growth rates and increasing pressure to contain costs. Reductions in revenue could adversely affect our operating results, financial condition, and results of operations. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments, and right-of-use assets. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility.

We have experienced increases in lease expense associated with escalations tied to changes in the Consumer Price Index ("CPI") and higher variable costs associated with Common Area Maintenance ("CAM") charges. CPI increased 3.1% for the twelve months ending December 31, 2023, following a 6.5% increase for the twelve months ending December 31, 2022. 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.

Our broadcast spot advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 12.8% and 19.3%, respectively, of our total net broadcast spot advertising revenue during the year ended December 31, 2022, compared to 13.5% and 18.8%, respectively, of our total net broadcast spot advertising revenue during the year ended December 31, 2023.

Digital revenue is impacted by the nature and delivery of page views and the number of advertisements appearing on each page view. While page views continue to show growth, the number of page views from desktop devices continue to decline in favor of page views from mobile devices. Page views from mobile devices carry a lower number of advertisements per page and are generally sold at lower rates. The shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. We also experience declines in page views from changes in algorithms, including algorithms that limit political content and from browsers that block third-party cookies limiting advertising delivery.

Key Financial Performance Indicators – Same-Station Definition

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

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, Station Operating Income ("SOI"), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Income, 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 operational results, trends, and performance.

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

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

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

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

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

Reconciliation of Non-GAAP Financial Measures:

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

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

	Year Ended December 31,	
	2022	**2023**
	(Dollars in thousands)	
Net broadcast revenue	$ 205,315	**$ 197,676**
Less broadcast operating expenses	(163,992)	**(171,498)**
Station Operating Income	$ 41,323	**$ 26,178**
Net digital media revenue	$ 41,661	**$ 41,973**
Less digital media operating expenses	(33,750)	**(34,936)**
Digital Media Operating Income	$ 7,911	**$ 7,037**
Net publishing revenue	$ 19,990	**$ 19,004**
Less publishing operating expenses	(22,142)	**(22,317)**
Publishing Operating Loss	$ (2,152)	**$ (3,313)**

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

	Year Ended December 31,	
	2022	**2023**
	(Dollars in thousands)	
Net loss	$ (3,236)	**$ (43,312)**
Plus benefit from income taxes	(392)	**(17,384)**
Plus net miscellaneous (income) and expenses	4	**(26)**
Plus (gain) loss on early retirement of long-term debt	(48)	**194**
Plus earnings from equity method investment	(4,065)	**(4)**
Plus interest expense, net of capitalized interest	13,060	**14,283**
Less interest income	(171)	**(60)**
Net operating income (loss)	$ 5,152	**$ (46,309)**
Plus net (gain) loss on the disposition of assets	(8,376)	**(1,295)**
Plus change in the estimated fair value of contingent earn-out consideration	(5)	**698**
Plus legal settlement	4,776	**—**
Plus debt modification costs	255	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	13,985	**41,717**
Plus impairment of goodwill	127	**2,580**
Plus depreciation and amortization	12,611	**13,635**
Plus unallocated corporate expenses	18,557	**18,876**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 47,082	**$ 29,902**
Station Operating Income	$ 41,323	**$ 26,178**
Digital Media Operating Income	7,911	**7,037**
Publishing Operating Loss	(2,152)	**(3,313)**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 47,082	**$ 29,902**

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net 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,	
	2022	**2023**
	(Dollars in thousands)	
Net loss	$ (3,236)	**$ (43,312)**
Plus interest expense, net of capitalized interest	13,060	**14,283**
Plus benefit from income taxes	(392)	**(17,384)**
Plus depreciation and amortization	12,611	**13,635**
Less interest income	(171)	**(60)**
EBITDA	$ 21,872	**$ (32,838)**
Plus net (gain) loss on the disposition of assets	(8,376)	**(1,295)**
Plus change in the estimated fair value of contingent earn-out consideration	(5)	**698**
Plus debt modification costs	255	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	13,985	**41,717**
Plus impairment of goodwill	127	**2,580**
Plus net miscellaneous (income) and expenses	4	**(26)**
Plus (gain) loss on early retirement of long-term debt	(48)	**194**
Plus non-cash stock-based compensation	284	**463**
Adjusted EBITDA	$ 28,098	**$ 11,493**

RESULTS OF OPERATIONS

Year Ended December 31, 2023 compared to the year ended December 31, 2022

Net Broadcast Revenue

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$ 205,315	$ **197,676**	$ (7,639)	(3.7) %	76.9 %	**76.4 %**
Same Station Net Broadcast Revenue	$ 204,323	$ **196,102**	$ (8,221)	(4.0) %		

Net broadcast revenue decreased 3.7%, or $7.6 million, principally due to a $7.3 million decline in national and local spot advertising revenue. Spot advertising revenue has been declining in the industry due to reduced time spent listening, particularly on AM radio stations. Also, the political revenue decreased $3.6 million, or 61.5% to $2.3 million from $5.9 million. This decrease was partially offset by an increase in our broadcast digital revenue which increased $1.5 million or 4.1% due to increases from Salem Podcast Network, Salem News Channel and digital marketing services through Salem Surround.

On a Same Station basis, net broadcast revenue decreased 4.0%, or $8.2 million, which reflects these items net of the impact of stations acquisitions and dispositions.

Net Digital Media Revenue

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$ 41,661	$ **41,973**	$ 312	0.7 %	15.6 %	**16.2 %**

Net digital media revenue increased 0.7%, or $0.3 million. Net digital advertising revenue decreased due to Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand for advertising resulting in a lower number of advertisements and a reduction in rates. In addition, our representation agreement with Bible Gateway was not renewed effective June 30, 2023. This decrease was offset by increased digital subscription revenue from Eagle Financial Publications, including new subscriptions generated from the newly acquired George Gilder Report and DayTradeSPY and increases from Townhall VIP.

Net Publishing Revenue

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$ 19,990	$ **19,004**	$ (986)	(4.9) %	7.5 %	**7.3** %

Net publishing revenue decreased 4.9%, or $1.0 million, due to a reduced publishing schedule and softness in the overall economy which has caused some declines in our self-publishing business, Salem Author Services. Also, sub-right revenue for foreign translation and audio books for original published titles from Regnery® Publishing decreased due to lower demand resulting in lower sales volume.

Broadcast Operating Expenses

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$ 163,992	$ **171,498**	$ 7,506	4.6 %	61.4 %	**66.3** %
Same Station Broadcast Operating Expenses	$ 162,658	$ **167,794**	$ 5,136	3.2 %		

Broadcast operating expenses increased 4.6%, or $7.5 million, including an $3.9 million increase from broadcast entities, a $1.5 million increase from Salem News Channel, a $1.0 million increase from Salem Surround, a $0.8 million increase in SalemNOW and a $0.3 million increase from Salem Podcast Network. The increase in expenses from Salem Surround, Salem News Channel and Salem Podcast Network is consistent with the growth and investment in these entities to expand digital product offerings and revenue sources in our broadcast division. The increase of $3.9 million from our broadcast entities includes a $2.4 million increase in employee-related expenses, including $0.6 million in severance expense, a $1.2 million increase in facility-related expenses, a $0.9 million in lease expense, a $0.7 million increase in bad debt expense, a $0.5 million increase in professional services and a $0.4 million increase in third-party marketing expenses that was partially offset by a $1.0 million decrease in employee-related expenses due to the suspension of the employer 401(k) match in July 2023, a $0.8 million decrease in merchant processing, a $0.3 million decrease in music license fees, and a $0.2 million decrease in travel and entertainment expense.

On a same-station basis, broadcast operating expenses increased 3.2%, or $5.1 million. The increase in broadcast operating expenses on a same station basis reflects these items net of the impact of start-up costs associated with acquisitions and station dispositions.

Legal Settlement

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$ 4,776	$ —	$ (4,776)	**(100.0)** %	1.8 %	— %

In September 2022, we entered into a settlement agreement in connection with a lawsuit. While we denied the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $0.5 million, and that amount was accrued at December 31, 2020. During mediation held in September 2022, the parties reached a settlement whereby we agreed to pay $5.3 million in exchange for a release by the plaintiff of all claims. The settlement amount was paid in December 2022.

Digital Media Operating Expenses

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$ 33,750	$ **34,936**	$ 1,186	3.5 %	12.6 %	**13.5** %

Digital media operating expenses increased 3.5%, or $1.2 million, including a $0.9 million increase in employee-related expenses which includes $0.5 million of severance expense, a $0.4 million increase in advertising and promotional expenses due to increased e-mail marketing efforts to increase subscriptions, a $0.3 million increase in professional services expenses, a $0.1 million increase in software and streaming expenses, and a $0.1 million increase in royalties, that was partially offset by a $0.3 million decrease in sales-based commissions and bonuses and a $0.3 million decrease in employee-related benefits as the 401(k) employer match was suspended in July 2023.

Publishing Operating Expenses

	Year Ended December 31,					
	2022	**2023**	Change $	Change	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$ 22,142	$ **22,317**	$ 175	0.8 %	8.3 %	**8.6** %

Publishing operating expenses increased 0.8%, or $0.2 million, including a $1.3 million increase in professional services that was partially offset by a $0.8 million decrease in the cost of sales and $0.3 million in royalty expenses. The decrease in cost of sales includes a $0.9 million decrease from Regnery® Publishing offset by a $0.1 million increase in Salem Author Services. The gross profit margin for Regnery® Publishing declined to 29% from 37% as sales volume decreased. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services declined to 77% from 78% due to lower sales volume.

Unallocated Corporate Expenses

	Year Ended December 31,					
	2022	**2023**	Change $	Change	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$ 18,557	$ **18,876**	$ 319	1.7 %	7.0 %	**7.3** %

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, which are not directly attributable to any one of our operating segments. The increase of 1.7%, or $0.3 million, includes a $0.5 million increase in employee-related expenses including severance expense, and a $0.4 million increase in professional services expenses primarily associated with legal fees and public reporting expenses, that was partially offset by a $0.3 million decrease in travel and entertainment and a $0.2 million decrease in franchise tax.

Debt Modification Costs

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$ 255	$ —	$ (255)	(100.0) %	0.1 %	— %

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

Depreciation Expense

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$ 11,339	$ **11,400**	$ 61	0.5 %	4.2 %	**4.4** %

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

Amortization Expense

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$ 1,272	$ **2,235**	$ 963	75.7 %	0.5 %	**0.9** %

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

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

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Change in the Estimated Fair Value of Contingent Earn-Out Consideration	$ (5)	$ **698**	$ 703	(14,060.0) %	— %	**0.3** %

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

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

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

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$ 13,985	$ **41,717**	$ 27,732	198.3 %	5.2 %	**16.1** %

We completed our annual review for impairment in the fourth quarter of 2023. Based on our review and analysis, we recorded an impairment of $41.7 million during the year ended December 31, 2023. During our annual testing in the fourth quarter, we recorded an impairment charge of $3.3 million to the value of the broadcast licenses in Boston, Chicago, Cleveland, Columbus, Detroit, Little Rock, Miami, Orlando, Philadelphia, Phoenix, Portland, San Diego, San Francisco and Tampa. The impairment charge was driven by declines in market revenue projections in excess of those used in our prior valuations.

We recorded an impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa at September 30, 2023. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023, continued softening in radio market advertising revenue, a reduction in the future industry growth rates based on current economic indicators and rising interest rates that increase the WACC.

We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco at June 30, 2023. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023 and a reduction in the future industry growth rates based on current economic indicators.

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

Impairment of Goodwill

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$ 127	$ **2,580**	$ 2,453	1,931.5 %	— %	**1.0** %

We completed our annual review for impairment in the fourth quarter of 2023 with no further impairment charges recognized.

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at September 30, 2023. Based on our review and analysis, we recorded an impairment charge of $0.7 million to goodwill in Townhall.com® and Salem Author Services at September 30, 2023.

We also performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

Net (Gain) Loss on the Disposition of Assets

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of Assets	$ (8,376)	$ **(1,295)**	$ 7,081	(84.5) %	(3.1) %	**(0.5) %**

The net gain on the disposition of assets of $1.3 million for the year ended December 31, 2023, reflects a $3.3 million pre-tax gain on the sale of the economic interests in the leases at our Greenville, South Carolina to a related party, a $1.7 million pre-tax gain on the sale of WGTK-FM, WRTH-FM and WLTE-FM in Greenville, South Carolina, a $0.6 million pre-tax gain on the sale of WTWD-AM, Tampa, Florida and a $0.4 million pre-tax gain on the sale of radio station KNTS-AM and KLFE-FM in Seattle, Washington that was offset by a $3.4 million pre-tax loss on the sale of radio station KSAC-FM in Sacramento, California, a $1.0 million pre-tax loss on the sale of Regnery® Publishing, a pre-tax loss of $0.2 million on the sale of six condominiums in Miami, Florida and $0.1 million of net losses from various fixed asset disposals.

and $0.1 million of net losses from various fixed asset disposals.

The net gain on the disposition of assets of $8.4 million for the year ended December 31, 2022 reflects a $6.5 million pre-tax gain on the sale of land used in our Denver, Colorado broadcast operations, a $1.8 million pre-tax gain on the sale of land used in our Phoenix, Arizona broadcast operations, and a $0.5 million pre-tax gain on the sale of our radio stations in Louisville, Kentucky that was offset with $0.4 million of net losses from various fixed asset disposals.

Other Income (Expense)

	Year Ended December 31,					
	2022	**2023**	Change	Change	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 171	$ **60**	$ (111)	(64.9) %	0.1 %	**— %**
Interest Expense	(13,060)	**(14,283)**	(1,223)	9.4 %	(4.9) %	**(5.5) %**
Gain (Loss) on Early Retirement of Long-Term Debt	48	**(194)**	(242)	(504.2) %	— %	**(0.1) %**
Earnings from equity method investment	4,065	**4**	(4,061)	(99.9) %	1.5	**— %**
Net Miscellaneous Income and (Expenses)	(4)	**26**	30	(750.0) %	— %	**— %**

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

Interest expense includes interest due on outstanding debt balances and non-cash accretion associated with deferred installments. The increase of $1.2 million reflects the higher outstanding balance of the 2028 Notes, that was offset by the lower outstanding balance of the ABL Facility, and a lower finance lease obligation outstanding during the year ended December 31, 2023.

The gain on the early retirement of long-term debt in 2022 reflects $21.1 million of repurchases of the 2024 Notes for $20.9 million in cash, recognizing a net gain of $48,000 after adjusting for bond issuance costs. The loss on the early retirement of long-term debt in 2023 reflects $43.3 million of repurchases of the 2024 Notes for $44.0 million in cash, recognizing a net loss of $1.0 million after adjusting for bond issuance costs.

We recorded $4.1 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture, *2000 Mules*, was released in May 2022.

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

Benefit from Income Taxes

	Year Ended December 31,											
		2022		**2023**		Change $	Change		2022		**2023**	
		(Dollars in thousands)							% of Total Net Revenue			
Benefit from Income Taxes	$	(392)	$	**(17,384)**	$	(16,992)	4,334.7	%	(0.1)	%	**(6.7)**	%

Tax benefit increased $17.0 million to $17.4 million for the year ended December 31, 2023, compared to $0.4 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 28.6% for the year ended December 31, 2023, compared to 10.8% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 28.6% is driven by the impact of true up related to the change in blended state rate, projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

At December 31, 2023, we had net operating loss carryforwards for federal income tax purposes of approximately $93.8 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $571.7 million that expire in years 2024 through 2043. For financial reporting purposes at December 31, 2023, we had a valuation allowance of $39.5 million, net of federal benefit, to offset the pre-2018 federal net operating losses and state net operating losses.

Net Loss

	Year Ended December 31,											
		2022		**2023**		Change $	Change %		2022		**2023**	
		(Dollars in thousands)							% of Total Net Revenue			
Net Loss	$	(3,236)	$	**(43,312)**	$	(40,076)	1,238.4	%	(1.2)	%	**(16.7)**	%

Our net loss increased $40.1 million to $43.3 million from $3.2 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 operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset and business sales. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds.

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 $11.7 million during the year ended December 31, 2023, to $4.0 million compared to $7.7 million of net cash provided by operating activities during the prior year. The decrease in cash used in operating activities includes the impact of the following items:

- Total revenue increased by $8.3 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingent earn-out consideration, impairments, debt modification costs, legal settlement, and net gain (loss) on the disposition of assets, increased by $9.0 million;
- Accounts receivables, net of allowances, increased by $1.3 million compared to $5.1 million for the prior year;
- Unbilled revenue decreased $1.7 million;

- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, decreased to 56 days at December 31, 2023, from 54 days in the same period of the prior year;
- Net accounts payable and accrued expenses decreased $1.8 million to $32.5 million from $34.3 million as of the prior year; and
- Net inventories on hand decreased $1.5 million to nil compared to a $0.6 million increase 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 $8.6 million during 2024.

We invested in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. We received a return of our total investment of $4.5 million of cash from OPA during 2022 that is reflected as an investing cash inflow. All other receipts from OPA represent our share of revenue from the documentary motion picture and are included in operating cash flow. We invested in a limited liability company that will own, distribute, and market a motion picture. The investment of $1.5 million at December 31, 2023 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 used in investing activities was $0.3 million during the year ended December 31, 2023, compared to $0.9 million during the prior year. The $0.6 million decrease in cash used in investing activities was the result of:

- Cash paid for capital expenditures decreased $4.3 million to $9.0 million from $13.3 million during the prior year;
- Cash paid for acquisitions increased $3.4 million to $5.6 million compared to $2.2 million during the prior year;
- Cash received from return of investments was $4.5 million in the prior year;
- Cash paid for investments decreased $2.0 million to $1.5 million from $3.5 million; and
- Cash received from the sale of assets increased $1.3 million to $15.5 million from $14.2 million.

Financing Cash Flows

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

During the year ended December 31, 2023, the principal balances outstanding under the Notes and ABL Facility ranged from $159.9 million to $212.3 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Net provided by financing activities during the year ended December 31, 2023, increased $13.0 million to $4.4 million compared to cash used in financing activities of $8.6 million during the prior year. The increase in cash provided by financing activities includes:

- A $6.4 million decrease in the book overdraft
- $44.7 million of cash used to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due; and
- Net borrowings on our ABL Facility were $7.9 million during the year ended December 31, 2023, compared to $9.0 million during the same period of the prior year.