UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 000-26497

SALEM MEDIA GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**77-0121400** **(I.R.S. EMPLOYER IDENTIFICATION NUMBER)**
6400 NORTH BELT LINE ROAD **IRVING, TEXAS** **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**75063** **(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-0400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of the Exchange on which registered
Class A Common Stock, $0.01 par value per share	**SALM**	**The NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $14,940,846 based on the closing sale price as reported on the NASDAQ Global Market.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A	Outstanding at February 24, 2021
Common Stock, $0.01 par value per share	21,130,667 shares
Class B	**Outstanding at February 24, 2021**
Common Stock, $0.01 par value per share	5,553,696 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders	Part III, Items 10, 11, 12, 13 and 14

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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.

All metropolitan statistical area (“MSA”) rank information used in this annual report, excluding information concerning the Commonwealth of Puerto Rico, is from the Fall 2020 Radio Market Survey Schedule & Population Rankings published by Nielsen Audio (“Nielsen”). According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2021 by Nielsen.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this annual report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this annual report. Any such forward-looking statements, whether made in this annual report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

PART I

ITEM 1. BUSINESS.

Corporate Information

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. Our filings with the Securities and Exchange Commission ("SEC") are available under the Investor Relations section of our website at www.salemmedia.com. Any information found our website is not a part of or incorporated by reference into this or any report of Salem filed with or furnished to the SEC.

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

We measure and evaluate our operating segments based on operating income and operating expenses that 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 when evaluating the performance of our operating segments.

Business Strategy

We are fundamentally committed to programming and content emphasizing Christian values, conservative family themes and news. Our commitment to these values means that we may choose not to switch to other formats or pursue potentially more profitable business opportunities in response to changes in audience preferences.

Our goal is to produce and deliver compelling content to audiences interested in Christian and family-themed programming and conservative news talk and to be considered the market leader in these segments for all audiences, programmers and advertisers. Our integrated multimedia platform includes traditional media, such as radio broadcasting, book publishing and print magazines, as well as emerging forms of media, such as websites, podcasts, mobile applications and digital publications. We pursue the ongoing expansion of our media platform as the marketplace evolves while aggressively managing operating costs and cash flows. Expansion opportunities include increasing the strength and reach of our broadcast signals, providing state-of-the-art broadcast and digital marketing services to our customers, investing in and building our websites, mobile and tablet applications, promoting our authors and on-air talent, and increasing the distribution and page views for our print and digital content. Our national presence in each of these mediums provides advertisers and programmers with a powerful and integrated platform to reach audiences throughout the United States without compromising the sense of community involvement and branding that we generate through local events and promotions.

Broadcasting

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. We assemble market clusters, or multiple radio stations operating within the same geographic market, to achieve operational efficiencies. Several benefits are achievable when operating market clusters. First, we can offer advertisers and programmers access to multiple audiences by providing airtime on each radio station in that market. Second, we realize cost and operating efficiencies by consolidating sales, technical and administrative support, promotional functions and other shared overhead costs, such as facilities and rent, when possible. Third, the addition of new radio stations in existing markets allows us to leverage our hands-on knowledge of that market to increase our appeal to new audiences and advertisers.

Our broadcast operating segment creates and distributes programming content though our radio stations and our networks, including our national and local on-air hosts. Broadcasting also includes our media strategists, our national advertising sales firm, and Salem Surround, our multimedia advertising agency specializing in digital product offerings.

Digital Media

The Internet, smartphones and tablets continue to change the way in which content and advertisements are delivered to audiences. Continual advancements with online search engines, social media and mobile applications provide consumers with numerous methods to locate specific content and information online. Digital tools allow us to effectively deliver our content and to provide strategic marketing services to our customers. Our editorial staff, including our on-air personalities, provide digital commentaries, programs, text, audio and video content that we believe to be knowledge-based, credible and reliable. We make strategic decisions to invest in website development, mobile applications and tablet applications given the ongoing shift in consumer demand. We continually seek opportunities to diversify our digital traffic sources to avoid reliance on any one provider. We offer custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing.

Publishing

Print books and eBooks provide a distribution network for audiences interested in Christian and family-themed content as well as conservative news and opinion. Our strategy to attract highly sought-after authors and high-profile Christian commentators expands our presence in the conservative and Christian media market and increases the likelihood of printing books that appear on the best-seller lists.

Seasonality

Our results are subject to seasonal fluctuations. As is typical in the broadcasting industry, our second and fourth quarter advertising revenue typically exceeds our first and third quarter advertising revenue. Seasonal fluctuations in advertising revenue correspond with quarterly fluctuations in the retail industry. Additionally, we experience increased demand for political advertising during election, or even numbered years, over non-election, or odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which the Easter holiday is observed, as this holiday generates a higher volume of product downloads from our church product websites.

Audience Growth

Our success depends on our ability to reach a growing audience. We seek audience growth opportunities by increasing the strength and number of our broadcast signals, increasing product offerings through digital marketing services, increasing the number of page-views through our digital media platform, increasing book sales, and increasing the subscriber base for our digital content and print magazine.

Our audience growth is also contingent upon the desirability of our content to our audience. We produce and provide content that we believe is both compelling and of high commercial value. We rely on a combination of research, market testing and our understanding of our audience to target promotions and events that create visibility and brand awareness in each of our local markets. For maximum results, we cross-promote our content on each of our media platforms. By maximizing our audience share, we achieve growth in ratings, growth in page views and growth in subscribers that we believe can be converted into revenue from programmers and advertisers that are interested in reaching our audience.

Media Strategists

We have assembled an effective, highly trained sales staff that is responsible for converting our audience into revenue. Media strategists are trained to provide integrated marketing strategies that includes all of our media platforms and our full-service digital marketing agency. We operate a focused, sales-oriented culture that rewards selling efforts through a commission and bonus compensation structure. Our media strategists create custom advertising campaigns and provide comprehensive solutions to our clients. Campaigns may include specific geographic coverage areas, event sponsorships, special promotions, e-mail sponsorships, print advertisements, and various digital media elements, including banner advertisements, site retargeting, search engine marketing, tools for metasearch, website design, reputation management, online listing services, and social media marketing.

Significant Community Involvement

We expect our public image to reflect the lifestyle and viewpoints of the target demographic groups that we serve. We regularly collaborate with organizations that serve Christian, conservative, and family-themed audiences as well as sponsor and support events that are important to this group. We believe that our ongoing active involvement and our strong relationships within Christian and conservative communities provide us with a unique competitive advantage that significantly improves the marketability of our media platform to advertisers and programmers targeting such communities. We produce and sponsor a number of local events that we believe are important in building our brand identity. Our sponsored events include listener rallies, speaking tours, pastor appreciation events and concerts such as our *Fishfest®* concerts. Local events such as these connect us with our audience and enable us to create an enhanced awareness and name recognition in each of our markets. We believe that this brand awareness creates loyalty with our audience and increases our audience share and ratings over time.

Corporate Structure

Management of our operations is largely decentralized with operational vice presidents and general managers located throughout the United States. We believe that this decentralization encourages each general manager and vice president to apply innovative techniques for improving and growing their operations locally in ways that may become transferable to benefit other markets and operations.

Our broadcast operations vice presidents, some of whom are also station general managers, are experienced radio broadcasters with expertise in sales, programming, marketing and production. Each of our broadcast operations vice presidents oversees several markets on a regional basis. Our digital and publishing operations vice presidents and general managers are also located throughout the United States at various locations in which we operate.

All our locations receive executive leadership and oversight from our corporate staff. Corporate staff members have experience and expertise in, among other things, accounting and finance, treasury, risk management, insurance, information technology, human resources, legal, engineering, real estate, strategic direction and other support functions designed to provide resources to local management. Corporate staff also oversee the placement and rate negotiations for national block programming on our stations. Centralized oversight of national programming is necessary because many of our key programming partners purchase times in multiple radio markets.

Human Capital

As of February 11, 2021, we employed 1,338 total employees of which 1,076 were full time and 262 were part time. These employees consisted of 913 in broadcasting, 149 in digital media, 103 in publishing, and 173 corporate employees. We consider our relations with our employees to be good and none of our employees are covered by collective bargaining agreements. The average tenure for all of our employees is 8 years.

We employ on-air personalities and we may enter into employment agreements with theseon-air personalities in order to protect our interests in these relationships. However, on-air talent may be lost to competitors for a variety of reasons. While we do not believe that the loss of any one of ouron-air personalities would adversely affect on our consolidated financial condition and results of operations, the loss of several key on-air personalities combined could adversely affect on our business.

Our success depends on the continued contributions from our employees and senior management team. Effective succession planning is also important for our long-term success. The Nominating and Governance committee of our Board of Directors ("Board") discusses succession planning annually. The loss of any of our senior management team could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak ofCOVID-19 a global pandemic. The responses by federal, state and local governments to restrict public gatherings and travel rapidly grew to include stay-at-home orders, school closures and mandatory restrictions on non-essential businesses and services that has adversely affected workforces, certain economies, and financial markets resulting in a significant economic downturn. We experienced declining revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spend due to the outbreak and stay-at-home orders that effectively shut many businesses down. This was particularly true within our broadcast segment, which derives substantial revenue from local advertisers who have been particularly hard hit due to social distancing and government interventions and in our publishing segment that sells books in retail stores and through live events.

While this disruption is expected to be temporary, there remains to be considerable uncertainty around the duration. Although advertising revenue continues to improve from the lowest levels experienced during April and May of 2020, it remains significantly below prior years. The exact timing and pace of the recovery has not been determinable as certain markets have reopened, some of which have since experienced a resurgence of COVID-19 cases, resulting in varying degrees of reinstated stay-at-home orders. Due to continuing uncertainties regarding the ultimate scope and trajectory of COVID-19's spread and evolution, it is impossible to predict the total impact that the pandemic will have on our business. If public and private entities continue to enforce restrictive measures, the material adverse effect on our business, results of operations, financial condition and cash flows could persist. Our businesses could also continue to be impacted by the disruptions from COVID-19 and resulting adverse changes in advertising customers and consumer behavior.

Future availability under our credit facility is contingent upon our eligible receivable balance, which is negatively impacted by lower revenue and longer days to collect. Availability under our Asset Based Loan Facility ("ABL Facility") is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The maximum amount available under our ABL Facility declined to $24.2 million at December 31, 2020 from $26.4 million at December 31, 2019, of which $5.0 million was outstanding at December 31, 2020 compared to $12.4 million outstanding at December 31, 2019.

In response to these developments, beginning in March 2020, we implemented several measures to reduce costs and conserve cash to ensure that we have adequate cash to meet our debt servicing requirements, including:

- limiting capital expenditures;
- reducing discretionary spending, including travel and entertainment;
- eliminating open positions and freezing new hires;
- reducing staffing levels;
- implementing temporary company-wide pay cuts of 5%, 7.5% or 10% depending on salary level;
- furloughing certain employees;
- temporarily suspending the company 401(k) match;
- requesting rent concessions from landlords;
- requesting discounts from vendors;

- offering early payment discounts to certain customers in exchange for advance cash payments; and
- suspending the payment of distributions on our common stock indefinitely.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. On December 27, 2020, Congress passed the Consolidated Appropriations Act (“CAA”) that includes a second relief package, which, among other things, provides for an extension of the Payroll Support Program established by the CARES Act. We have utilized certain benefits of the CARES Act, and we may be entitled to benefits under the CAA based on our individual locations, including:

- the deferral of all employer FICA taxes beginning in April 2020 for the remainder of 2020, with 50% payable in December 2021 and the remainder payable in December 2022;
- relaxation of interest expense deduction limitation for income tax purposes; and
- Payroll Protection Plan (“PPP”) loans available based on the eligibility determined on aper-location basis of up to $11.2 million on a consolidated basis.

We believe that our customers have benefited from the enhanced benefits provided by the CARES Act, and that they will also benefit from the CAA. The CAA provides for another round of direct payments, enhanced unemployment benefits, education funding, and aid to sectors still reeling from the economic fallout of the pandemic. While these measures may benefit many of our customers, we cannot assure you that the implementation of these measures will offset the negative impact of COVID-19 on our customers. If the CAA or any additional stimulus measures are not sufficient to remediate the financial stress on our customers as a result of the pandemic, we may experience ongoing challenges in growing and maintain revenue and we may experience an increase in delinquencies that could materially and adversely impact our results of operations and financial condition in future periods.

We continue to review and consider any available potential benefit under the CARES Act and the CAA for which we qualify. We cannot predict the manner in which such benefits or any of the other benefits described herein will be allocated or administered and we cannot assure you that we will be able to access such benefits in a timely manner or at all. If the U.S. government or any other governmental authority agrees to provide such aid under the CARES Act, the CAA, or any other crisis relief assistance it may impose certain requirements on the recipients of the aid, including restrictions on executive officer compensation, dividends, prepayment of debt, limitations on debt and other similar restrictions that may apply for a period of time after the aid is repaid or redeemed in full.

Due to the adverse economic impact, we reforecast our anticipated results extending through March 2022. Our reforecast includes the impact of certain of these cost-cutting measures. Based on our current and expected economic outlook and our current and expected funding needs, we believe that the borrowing capacity under our current credit facilities, together with cash on hand, allows us to meet our ongoing operating requirements, fund necessary capital expenditures and satisfy our debt service requirements for at least the next twelve months, including the working capital deficit at December 31, 2020. Based on our current assessment, we believe that we have the ability to meet our obligations as they come due for one year from the issuance of this annual report.

Recent Developments

Cyber Incident

On August 7, 2020, we detected a ransomware attack impacting certain of our operational and information technology systems. We promptly launched an investigation, notified law enforcement and engaged the services of specialized incident response professionals. We have recovered our business systems and critical operational data. Based on our investigation, we believe the incident has not had a material impact on our business, operations or financial condition. We believe that our cyber insurance coverage is commensurate with our size and the nature of our operations.

Debt Transactions

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

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

During January 2020 we completed repurchases of $3.5 million of the 6.75% Senior Secured Notes ("Notes") for $3.4 million in cash, recognizing a net gain of $49,000 after adjusting for bond issuance costs as detailed in Note 12– Long-Term Debt of our Consolidated Financial Statements.

Equity Transactions

Distributions of $0.7 million ($0.025 per share) were declared and paid in March 2020 based upon our Board of Directors' ("Board") then current assessment of our business as detailed in Note 19 – Equity Transactions of our Consolidated Financial Statements.

Acquisitions

On September 15, 2020, we acquired the Hyper Pixels Media website and related assets for $1.1 million in cash. We paid $0.4 million in cash upon closing with deferred payments of $0.4 million due January 31, 2021 and $0.3 million due September 15, 2021. We recorded goodwill of approximately $0.1 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Salem Web Network ("SWN") and from brand loyalty from Hyper Pixel Media's existing subscriber base that is not a separately identifiable intangible asset. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

Divestitures

On April 6, 2020, we sold radio station WBZW-AM and an FM translator construction permit in Orlando, Florida, for $0.2 million in cash. We recognized an estimated pre-tax loss of approximately $1.5 million during the three months ended December 31, 2019, which reflects the sale price as compared to the carrying value of the assets less the estimated closing costs.

Pending Transactions

On September 10, 2020, we entered an Asset Purchase Agreement ("APA") to sell radio station WKAT-AM and an FM translator in Miami, Florida, for $3.5 million in cash. We will exit the Miami market upon the close of this transaction. We entered a Local Marketing Agreement ("LMA") under which the buyer will begin programming the station in November 2020. We recognized an estimated pre-tax loss of $1.4 million during the three-month period ended September 30, 2020, which reflects the sale price as compared to the carrying value of the assets sold, the estimated closing costs, and the write-off of the remaining Miami assets as a result of exiting this market. This transaction is subject to the approval of the FCC and is expected to close during the first half of 2021.

On February 5, 2020, we entered an APA with Word Broadcasting to sell radio stationsWFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a Time Brokerage Agreement (“TBA.”) Due to changes in debt markets, the transaction was not funded, and it is uncertain when, or if, the transaction will close. Word Broadcasting continues to program the stations under a TBA that began in January 2017.

Broadcasting

Our broadcast segment includes the operating results of our radio stations, broadcast networks, and our national sales agencies including our full-service digital agency, Salem Surround. 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 print advertisements can benefit national companies by reaching audiences throughout the United States.

Radio Stations

We own and/or operate 99 radio stations in 35 markets, including 58 radio stations in 23 of the top 25 markets, consisting of 33 FM radio stations and 66 AM radio stations. We also program the Family Talk® Christian-themed talk format station on SiriusXM Channel 131. We are one of only three commercial radio broadcasters with radio stations in all the top 10 markets. We are the sixth largest commercial radio broadcaster in the United States as measured by number of radio stations overall and the third largest operator as measured by number of stations in the top 25 markets.

We program our radio stations in three main formats: (1) Christian Teaching and Talk, (2) News Talk and (3) Contemporary Christian Music (“CCM”). Other radio station formats include Spanish language Christian Teaching and Talk, Business, Country, Urban, and Classic Hits.

Christian Teaching and Talk. We currently program 37 of our radio stations in our foundational format, Christian Teaching and Talk, which is talk programming emphasizing Christian and family themes. Through this format, a listener can hear Bible teachings and sermons, as well as gain insight to questions related to daily life, such as raising children or religious legal rights in education and in the workplace. This format uses block programming time to offer a learning resource and a source of personal support for listeners. Listeners often contact our programmers to donate, ask questions and obtain materials on a subject matter or receive study guides based on what they have learned on the radio.

Block Programming. We recognize revenue from the sale of blocks of airtime to program producers that typically consist of 12½, 25 or 50-minutes of time. We sell blocks of airtime on our Christian Teaching and Talk format stations to a variety of national and local religious and charitable organizations that we believe create compelling radio programs. National programmers, such as established non-profit religious and educational organizations, typically purchase time on a Monday through Friday basis with supplemental programming blocks available for weekend release. Local programmers, such as community churches and organizations, typically purchase blocks for weekend releases. Historically, more than 95% of these national religious and charitable organizations renew their annual programming relationships with us. Based on our historical renewal rates, we believe that block programming provides a steady and consistent source of revenue and cash flows. Our top ten programmers have remained relatively constant and average more than 30 years on-air with us. Over the last five years, block-programming has generated 40% to 43% of our total net broadcast revenue.

Satellite Radio. We program SiriusXM Channel 131, the exclusive Christian Teaching and Talk channel on SiriusXM, reaching the entire nation 24 hours a day, seven days a week.

News Talk. We currently program 32 of our radio stations in a News Talk format. Our research shows that our News Talk format is highly complementary to our core Christian Teaching and Talk format. As programmed by Salem, both formats express conservative views and family values. Our News Talk

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format allows us to leverage syndicated talk programming produced by Salem Radio Network™ ("SRN™") to radio stations throughout the United States. Syndication of our programs allows us to reach audiences in markets in which we do not own or operate radio stations.

Contemporary Christian Music. We currently program 12 of our radio stations in a Contemporary Christian Music ("CCM") format, branded The FISH® in most markets. Through the CCM format, we bring listeners the words of inspirational recording artists, set to upbeat contemporary music. Our music format, branded "Safe for the Whole Family", features sounds and lyrics that listeners of all ages can enjoy and appreciate. The CCM genre continues to be popular. We believe that the listener base for CCM is underserved in terms of radio coverage, particularly in larger markets, and that our stations fill an otherwise void area in listener choices.

The following table sets forth information about each of Salem's stations, in order of market size:

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
New York, NY	1, 19(3)	WMCA-AM	1989	Christian Teaching and Talk
		WNYM-AM	1994	News Talk
Los Angeles, CA	2	KKLA-FM	1985	Christian Teaching and Talk
		KRLA-AM	1998	News Talk
		KFSH-FM	2000	Contemporary Christian Music
Chicago, IL	3	WYLL-AM	2001	Christian Teaching and Talk
		WIND-AM	2005	News Talk
San Francisco, CA	4, 37(4)	KFAX-AM	1984	Christian Teaching and Talk
		KDOW-AM	2001	Business
		KTRB-AM	2018	News Talk
Dallas-Fort Worth, TX	5	KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KTNO-AM	2015	Spanish Language Christian Teaching and Talk
Houston-Galveston, TX	6	KNTH-AM	1995	News Talk
		KKHT-FM	2005	Christian Teaching and Talk
Atlanta, GA	7	WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
		WDWD-AM	2015	Christian Teaching and Talk
Washington, D.C.	8	WAVA-FM	1992	Christian Teaching and Talk
		WAVA-AM	2000	Christian Teaching and Talk
		WWRC-AM	2017	News Talk
Philadelphia, PA	9	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
Boston, MA	10	WEZE-AM	1997	Christian Teaching and Talk
		WROL-AM	2001	Christian Teaching and Talk
Miami, FL	11	WKAT-AM	2014	Operated by a third party under a TBA
Seattle-Tacoma, WA	12	KGNW-AM	1986	Christian Teaching and Talk
		KLFE-AM (5)	1994	News Talk
		KNTS-AM (5)	1997	Regional Mexican
Phoenix, AZ	13	KKNT-AM	1996	News Talk
		KPXQ-AM	1999	Christian Teaching and Talk
		KXXT-AM	2014	Christian Teaching and Talk

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Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
Detroit, MI	14	WDTK-AM	2004	News Talk
		WLQV-AM	2006	Christian Teaching and Talk
Minneapolis-St. Paul, MN	15	KKMS-AM	1996	Christian Teaching and Talk
		KDIZ-AM	1998	News Talk
		WWTC-AM	2001	News Talk
		KYCR-AM	2015	Business
San Diego, CA	16	KPRZ-AM	1987	Christian Teaching and Talk
		KCBQ-AM	2000	News Talk
Tampa, FL	17	WTWD-AM(6)	2000	Christian Teaching and Talk
		WTBN-AM(6)	2001	Christian Teaching and Talk
		WGUL-AM	2005	News Talk
Denver-Boulder, CO	18	KRKS-FM	1993	Christian Teaching and Talk
		KRKS-AM	1994	Christian Teaching and Talk
		KNUS-AM	1996	News Talk
		KBJD-AM(7)	1999	Other
Portland, OR	21	KPDQ-FM	1986	Christian Teaching and Talk
		KPDQ-AM	1986	Christian Teaching and Talk
		KFIS-FM	2002	Contemporary Christian Music
		KRYP-FM	2005	Regional Mexican
		KDZR-AM	2015	News Talk
		KPAM-AM	2019	News Talk
San Antonio, TX	24	KSLR-AM	1994	Christian Teaching and Talk
		KLUP-AM	2000	News Talk
Riverside-San Bernardino, CA	25	KTIE-AM	2001	News Talk
Sacramento, CA	26	KFIA-AM	1995	Christian Teaching and Talk
		KTKZ-AM	1997	News Talk
		KSAC-FM	2002	Business
		KKFS-FM	2006	Contemporary Christian Music
Orlando, FL	28	WORL-AM	2006	News Talk
		WTLN-AM	2015	Christian Teaching and Talk
Pittsburgh, PA	30	WORD-FM	1993	Christian Teaching and Talk
		WPIT-AM	1993	Christian Teaching and Talk
		WPGP-AM	2015	News Talk
Cleveland, OH	34	WHKW-AM	2000	Christian Teaching and Talk
		WFHM-FM	2001	Contemporary Christian Music
		WHK-AM	2005	News Talk
Columbus, OH	35	WRFD-AM	1987	Christian Teaching and Talk
		WTOH-FM	2013	News Talk
Nashville, TN	39	WBOZ-FM(8)	2000	Contemporary Christian Music
		WFFH-FM(8)	2002	Contemporary Christian Music
		WFFI-FM(8)	2002	Contemporary Christian Music
Louisville, KY	53	WFIA-FM	1999	Operated by a third party under a Time Brokerage Agreement (“TBA”)
		WGTK-AM	2000	Operated by a third party under a TBA
		WFIA-AM	2001	Operated by a third party under a TBA
Greenville, SC	57	WGTK-FM	2013	News Talk
		WRTH-FM	2014	Classic Hits
		WLTE-FM	2014	Classic Hits

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
Honolulu, HI	64	KAIM-FM	2000	Contemporary Christian Music
		KGU-AM	2000	Country
		KHCM-AM	2000	Operated by a third party under a TBA
		KHCM-FM	2004	Country Music
		KGU-FM	2004	Christian Teaching and Talk
		KKOL-FM	2005	Oldies
		KHNR-AM	2006	News Talk
Sarasota-Bradenton, FL	69	WLSS-AM	2005	News Talk
Colorado Springs, CO	87	KGFT-FM	1996	Christian Teaching and Talk
		KBIQ-FM	1996	Contemporary Christian Music
		KZNT-AM	2003	News Talk
Little Rock, AR	90	KDIS-FM	2014	Christian Teaching and Talk
		KKSP-FM	2015	Contemporary Christian Music
		KDXE-FM	2018	News Talk
		KZTS-AM	2018	Gospel
Oxnard-Ventura, CA	123	KDAR-FM	1974	Christian Teaching and Talk
Warrenton, VA		WRCW-AM	2012	News Talk

(1) Actual city of license may differ from metropolitan market served.
(2) All metropolitan statistical area ("MSA") rank information used in this annual report, excluding information concerning the Commonwealth of Puerto Rico, is from the Fall 2019 Radio Market Survey Schedule & Population Rankings published by Nielsen. According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2021 by Nielsen Demographics.
(3) This market includes the Nassau-Suffolk, NY Metro market, which independently has a MSA rank of 19.
(4) This market includes the San Jose, CA market, which independently has a MSA rank of 37.
(5) KNTS(AM) is an expanded band AM station paired with KLFE(AM). The licenses for these stations include a condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.
(6) WTBN-AM is simulcast with WTWD-AM, Tampa, FL.
(7) KBJD(AM) is an expanded band AM station paired with KRKS(AM). The licenses for these stations include a condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.
(8) WBOZ-FM is trimulcast with WFFH-FM, Nashville, TN and WFFI-FM, Nashville, TN.

Broadcast revenue includes radio advertising spots, programming revenue, digital revenue from each of our radio station websites, digital email blasts, Salem Surround revenue, event revenue, and network advertising revenue. The principal source of network broadcast revenue is from the sale of spot advertising time. Salem Consumer Products, our e-commerce site, generates broadcast revenue from the sale of host content materials.

We recognize advertising revenue from radio stations as the spots air or are delivered. For the year ended December 31, 2020, we derived 22.1% of our net broadcast revenue, or $39.4 million, from the sale of local spot advertising and 8.6% of our net broadcast revenue, or $15.3 million, from the sale of national spot advertising.

We recognize programming revenue as the programs air. For the year ended December 31, 2020, we derived 26.4% and 13.6% of our net broadcast revenue, or $47.0 million and $24.3 million, respectively, from the sale of national and local block programming time, respectively. National program revenue is primarily generated from geographically diverse, well-established non-profit religious and educational organizations that purchase time on our stations in a large number of markets in the United States. National program producers typically purchase 12 1/2, 25 or 50-minute blocks of time on a Monday through Friday basis and may offer supplemental programming for weekend release. We generate local program revenue from community organizations and churches that typically purchase blocks for weekend releases and from local speakers who generally purchase daily releases. Our strategy is to identify and assist quality local programs to expand into national syndication.

Salem Radio Network™

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,200 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM") and Singing News® Radio. SRN™'s net revenue for the year ended December 31, 2020 was $24.0 million, or 13.5% of net broadcast revenue.

Salem Media Representatives

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 12 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. SMR's net commission revenue to independent radio station affiliates for the year ended December 31, 2020 was $0.5 million or 0.3% of net broadcast revenue.

Salem Surround

Salem Surround is our national multimedia advertising agency with locations in 33 markets across the United States. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients. Salem Surround provides custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital product offerings 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.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, e-commerce, audio and video streaming, and other resources digitally through the web. Revenue generated from our digital media operating segment includes advertising arrangements based on cost-per-click or performance-based advertising; display advertisements where revenue is dependent upon the number of page views; and lead generation advertisements where revenue is dependent upon users registering for, purchasing or demonstrating an interest in our advertisers' products or services. We also generate revenue from digital subscriptions, streaming, downloads and product sales through our church product websites and investing websites. Revenue is recognized upon digital delivery or page views, downloads and upon shipment of products. Revenue from this operating segment is reported as Digital Media revenue on our Consolidated Statements of Operations included in Item 8 of this annual report.

We own and operate numerous websites including:

Salem Web Network ("SWN") Christian Content Websites:

BibleStudyTools.com is a free Bible website for verse search and in-depth studies featuring commentaries, reading plans, and other helpful resources designed as aids to Bible study.

Crosswalk.com® offers compelling, editorial-driven, biblically based, lifestyle and devotional content to Christians who take seriously their relationship with Christ.

GodVine.com is an online platform designed to share inspirational, family-friendly video through Facebook and other social media outlets.

iBelieve.com creates editorial-driven, lifestyle content, focused on helping Christian women use personal experience to examine the deeper issues of life and faith.

GodTube®.com is a video viewing platform for Christian videos with faith-based, family-friendly content.

OnePlace®™.com is a provider of on-demand, online audio streaming for nearly 200 radio programs from more than 185 popular Christian broadcast ministries. Oneplace™.com serves as both a complement to and an extension of our block programming Christian radio business.

Christianity.com offers engaging articles and video focused on exploring the deeper, theological issues and apologetics of the Christian faith. It is also a leading provider of online Bible trivia games.

GodUpdates.com provides inspiring stories, thought-provoking articles and videos about topics important to Christians.

CrossCards®™.com provides faith-based, inspirational e-greeting cards for all occasions.

ChristianHeadlines.com reports the news of importance to the Christian audience with a headlines blog, Christian worldview commentary, and features on events from the worldwide Christian Church.

LightSource.com provides on-demand, video streaming for nearly 85 Christian television programs from more than 70 ministry partners.

AllCreated.com offers recipes, clever life hacks, no-sense beauty tips and simple do-it-yourself projects for your home.

ChristianRadio.com directs visitors towards Christian Teaching Talk Stations and Christian Music Stations in their state from Salem Radio Network™.

CCMmagazine.com provides information and insight on Christian music.

SingingNews®.com provides information on Southern Gospel artists, industry news, concerts, and more.

SouthernGospel.com features the latest in new music, news, stories, tours and features the most vibrant Southern Gospel community on the web.

Townhall Media—Conservative Opinion Websites:

Townhall.com® is an interactive community that brings users, conservative public policy organizations, congressional staff and political activists together under the broad umbrella of conservative thoughts, ideas and actions.

HotAir®™.com is a leading news and commentary site with conservative news and opinions.

Twitchy®.com is a website featuring selected quotes and current events centered on U.S. politics, global news, sports, entertainment, media, and breaking news.

RedState®.com is a conservative, political news blog for right of center activists.

BearingArms.com is a clearinghouse for news and resources on Second Amendment issues, gun control, self-defense and firearms.

ConservativeRadio.com is a connection to the most informative, intelligent talk radio hosts, both national hosts and local hosts, from stations across the country.

pjmedia®.com is an integrated website that offers conservative news and commentary and is a reliable source for original, unique, and cutting-edge political news and analysis.

Salem Church Products Websites:

Salem Church Products websites offer resources for churches and ministries in the areas of church media, worship, children's and youth ministry, preaching, teaching and employment. These websites include:

SermonSearch™.com is a subscription-based resource for preachers and teachers with preparation materials like sermon outlines, illustrations, and preaching ideas from many of America's top Christian communicators.

ChurchStaffing.com is a source of job search information for churches and ministries offering a platform for personnel and staff relations. This site allows those seeking employment to submit resumes and view job listings.

WorshipHouseMedia.com is an online church media resource, providing videos and other multi-media resources to churches to enhance worship and sermons.

SermonSpice®™.com is an online provider of church media for local churches and ministries.

WorshipHouseKids.com provides children's and family ministry videos and media to make children's ministry fun, interactive and easy.

Preaching.com is a leading resource for pastors and church leaders that offers tools and ideas to help them lead well.

ChristianJobs.com provides services catering to the hiring needs of Christian-based businesses, nonprofit organizations, and ministries. The site connects these organizations with thousands of job seekers through its online presence and partnerships with Salem's radio stations.

Youthworker.com offers a wealth of resources specifically for student ministries to help enhance teaching and worship.

Childrens-Ministry-Deals.com offers a variety of digital resources including videos, song tracks, sermon archives, job listings and Sunday school curriculum to pastors and Church leaders.

JourneyBoxMedia.com provides short films to churches to help them communicate the Gospel to their communities.

Playblackmedia.com offers motion backgrounds, stills and countdowns to help churches create a visual worship experience.

Hyperpixels.com offers instant downloads of high-quality church videos, church media, video sermon illustrations, worship backgrounds, and countdowns.

Digital Financial Websites and Publications

Our digital platform includes the following investing websites and publications:

Eagle Financial Publications—provides market analysis and investment strategies for individual subscribers to newsletters from a variety of investing commentators including Bob Carlson, Bryan Perry, Jim Woods, Hilary Kramer, Dr. Mark Skousen and Jon Johnson.

www.DividendInvestor.com—offers stock screening tools and dividend information for individual subscribers to obtain dividend information and data.

www.StockInvestor.com—provides market analysis and investment strategies, recommendations, and opinions for individuals interested in the stock market.

Digital Mobile Applications

Our digital mobile applications, available in iOS and/or Android platforms, provide another means by which our content is available to our audiences. Our mobile applications include the following:

- Daily Bible Devotion
- King James Bible
- Daily Bible
- Christian Radio
- OnePlace®™
- Light Source
- ¡Citas y Mas Citas!
- Bíblia Portuguese Bible
- Bibliya Tagalog Bible
- Japanese Bible
- La Bibbia
- La Biblia Reina Valera
- Louis Segond French Bible
- Luther Bible German
- Spanish Bible Reina Valera
- Vietnamese Bible
- Vulgate Latin Bible
- Twitchy®
- HotAir®™
- Townhall®.com
- Red State
- Bible Study Tools
- Bible Quotes
- Bible Trivia
- iBelieve
- Bible Baseball Trivia
- Christian Ecards
- One Bible
- Bible+1
- Biblia

Publishing

Our publishing segment operates a distribution network targeting audiences interested in Christian and family-themed content as well as conservative news and opinion. We operate three businesses in our publishing segment.

Regnery® Publishing is a traditional book publisher that has published dozens of bestselling books by leading conservative, Christian and history authors and personalities. Books are sold in traditional printed form and as eBooks with the following categories:

- Regnery History—Regnery History brings new light to old subjects and introduces stories that deserve attention but may have been ignored or even covered up in the past.
- Regnery Kids—Regnery Kidsbooks are non-partisan, entertaining, and brilliantly written and illustrated by award-winning authors and artists.
- Regnery Fiction—Regnery Fiction publishes exciting, thrilling stories with characters who embody American values and plots that explore controversial issues on the forefront of the American consciousness.
- Gateway Editions—Regnery Gateway, dedicated to serious works of cultural, social, and political analysis, is a reaffirmation of Regnery's tradition of publishing original and penetrating conservative thinkers.
- Salem Books—Our goal is to help people grow in their faith, and find comfort, encouragement, practical advice, and timeless wisdom in compelling books by trusted authors.

Salem Author Services is a self-publishing service for authors through Xulon Press and Mill City Press. Xulon Press offers print-on-demand self-publishing services for Christian authors while Mill City Press serves most general market publications.

Singing News® produces and distributes a print magazine for readers interested in southern gospel music.

Competition

We operate in a highly competitive broadcast and media business. We compete for audiences, advertisers and programmers with other radio broadcasters, broadcast and cable television operators, newspapers and magazines, book publishers, national and local digital services, outdoor advertising, direct mail, online marketing and media companies, social media platforms, web-based blogs, and mobile devices.

BROADCASTING. Our broadcast audience ratings and market shares are subject to change, and any change in a particular market could adversely affect the revenue of our stations located in that market. While we already compete in some of our markets with stations that offer similar formats, if another radio station were to convert its programming to a format similar to one of ours, or if an existing competitor were to strengthen its operations, our stations could suffer reduced ratings and/or reduced revenue. In these circumstances, we could also incur significantly higher promotional and other related expenses. We cannot assure that our stations will maintain or increase their current audience ratings and revenue.

We compete for advertising revenue with other commercial religious format stations as well as general format radio stations. Our competition for advertising dollars includes other radio stations as well as digital websites and social media, broadcast television, cable television, newspapers, magazines, direct mail and billboard advertising, some of which may be controlled by horizontally integrated companies. Several factors can materially affect competitive advantage, including, but not limited to, audience ratings, program content, management talent and expertise, sales talent and experience, audience characteristics, signal strength, and the number and characteristics of other radio stations in the same market.

Christian and Family-Themed Radio. The segment of this industry that focuses on Christian and family themes is also a highly competitive business. The financial success of each of our radio stations that focuses on Christian Teaching and Talk is dependent, to a significant degree, upon its ability to generate revenue from the sale of block program time to national and local religious and educational organizations. We compete for this program revenue with a number of different commercial and non-commercial radio station licensees. While we believe that no commercial group owner in the United States specializing in Christian and family-themed programming approaches Salem in size of potential listening audience and presence in major markets, other religious radio stations exist and enjoy varying degrees of prominence and success in each of our markets.

New Methods of Content Delivery. Competition also comes from new media technologies and services. These include delivery of audio programming by cable television and satellite systems, digital audio radio services, mobile devices including smart phone applications for iPhone® and Android®, personal communications services, social media, and the service of low powered, limited coverage FM radio stations authorized by the FCC. The delivery of live and stored audio programming through the Internet has also created new competition. In addition, satellite delivered digital audio radio, which delivers multiple audio programming formats to national audiences, has created competition. We have attempted to address these existing and potential competitive threats through a more active strategy to acquire and integrate new electronic communications formats including digital acquisitions, the launch of Salem Surround, and our exclusive arrangement to provide Christian and family-themed talk on SiriusXM, a satellite digital audio radio service.

NETWORK. SRN™ competes with other commercial radio networks that offer news and talk programming to religious and general format stations and noncommercial networks that offer Christian music formats. SRN™ also competes with other radio networks for the services of talk show personalities.

DIGITAL MEDIA. SWN and Townhall Media compete for visitors and advertisers with other companies that deliver online audio programming, that deliver Christian and conservative digital content, and providers of general market websites and social media. The online media and distribution business changes quickly and is highly competitive. We compete to attract and maintain interactions with advertisers, consumers, content creators and web publishers. Salem Church Products competes for customers with other online sites that offer resources useful in ministries, preaching, teaching and for employment within the Christian community.

PUBLISHING. Regnery® Publishing competes with other book publishers for readers and book sales as well as competes for product quality, customer service, suitability of format and subject matter, author reputation, price, timely availability of both new titles and revisions of existing books, digital availability of published products, and timely delivery of products to customers. Our print magazine competes for readers and advertisers with other print publications, including those geared toward Christian audiences. Salem Author Services competes for authors with other on-demand publishers including those focused exclusively on Christian book publishers.

Federal Regulation of Radio Broadcasting

Introduction. The ownership, operation and sale of broadcast stations, including those licensed to Salem, are subject to the jurisdiction of the FCC, which acts under authority derived from The Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Communications Act"). Among other things, the FCC assigns frequency bands for broadcasting; determines whether to approve certain changes in ownership or control of station licenses; regulates transmission facilities, including power employed, antenna and tower heights, and location of transmission facilities; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules under the Communications Act.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of “short” (less than the maximum) license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or the denial of FCC consent to acquire additional broadcast properties. For further information concerning the nature and extent of federal regulation of broadcast stations you should refer to the Communications Act, FCC rules and the public notices and rulings of the FCC.

***License Grant and Renewal**.* Radio broadcast licenses are granted for maximum terms of eight years. Licenses must be renewed through an application to the FCC. Under the Communications Act, the FCC will renew a broadcast license if it finds that the station has served the public interest, convenience and necessity, that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC, and that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

From time to time, the renewal of certain licenses may be delayed. We continue to operate these radio stations under their existing licenses until the licenses are renewed. The affected stations are authorized to continue operations until the FCC acts upon the renewal applications. We continually monitor our stations’ compliance with the various regulatory requirements that are necessary for the FCC renewal. We are currently in the midst of the FCC’s radio renewal cycle, and license renewal applications for certain of our stations will be pending during the course of the renewal cycle. We expect all of our broadcast licenses to be renewed by its conclusion.

Petitions to deny license renewals can be filed by certain interested parties, including members of the public in a station’s market. Such petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a “substantial and material question of fact” as to whether the grant of the renewal application would be *prima facie* inconsistent with the public interest, convenience and necessity. In addition, during certain periods when a renewal application is pending, the transferability of the applicant’s license is restricted.

The following table sets forth information with respect to each of our radio stations for which we hold the license. Stations that we operate under an LMA or TBA are not reflected on this table. A broadcast station’s market may be different from its community of license. The coverage of an AM radio station is chiefly a function of the power of the radio station’s transmitter, less dissipative power losses and any directional antenna adjustments. For FM radio stations, signal coverage area is chiefly a function of the Effective Radiated Power (“ERP”) of the radio station’s antenna and the Height Above Average Terrain (“HAAT”) of the radio station’s antenna.

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
New York, NY	WMCA	AM	570	June 2022	B	n/a	5 / 5
	WNYM	AM	970	June 2022	B	n/a	50 / 5
Los Angeles, CA	KKLA	FM	99.5	December 2021	B	2,959	10
	KRLA	AM	870	December 2021	B	n/a	50 / 3
	KFSH	FM	95.9	December 2021	A	328	6
Chicago, IL	WYLL	AM	1160	December 2028	B	n/a	50 / 50
	WIND	AM	560	December 2028	B	n/a	5 / 5
San Francisco, CA	KFAX	AM	1100	December 2021	B	n/a	50 / 50
	KDOW	AM	1220	December 2021	D	n/a	5 / 0.145
	KTRB	AM	860	December 2021	B	n/a	50 / 50
Dallas-Fort Worth, TX	KLTY	FM	94.9	August 2021	C	1,667	100
	KWRD	FM	100.7	August 2021	C	1,988	98
	KSKY	AM	660	August 2021	B	n/a	20 / 0.7
	KTNO	AM	620	August 2021	B	n/a	5 / 4.5

Table of Contents

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
Houston-Galveston, TX	KNTH	AM	1070	August 2021	B	n/a	10 / 5
	KKHT	FM	100.7	August 2021	C	1,952	100
Washington, D.C.	WAVA	FM	105.1	October 2027	B	604	33
	WAVA	AM	780	October 2019	D	n/a	12
	WWRC	AM	570	October 2027	B	n/a	5 / 1
Atlanta, GA	WNIV	AM	970	April 2028	D	n/a	5 / 0.039
	WLTA	AM	1400	April 2028	C	n/a	1 / 1
	WFSH	FM	104.7	April 2028	C1	1,657	24
	WGKA	AM	920	April 2028	B	n/a	14 / 0.49
	WDWD	AM	590	April 2028	B	n/a	12 / 4.5
Philadelphia, PA	WFIL	AM	560	August 2022	B	n/a	5 / 5
	WNTP	AM	990	August 2022	B	n/a	50 / 10
Boston, MA	WEZE	AM	590	April 2022	B	n/a	5 / 5
	WROL	AM	950	April 2022	D	n/a	5 / 0.09
Miami, FL	WKAT	AM	1450	February 2028	C	n/a	1 / 1
Seattle-Tacoma, WA	KGNW	AM	820	February 2022	B	n/a	50 / 5
	KLFE(1)	AM	1590	February 2022	B	n/a	20 / 5
	KNTS(1)	AM	1680	February 2022	B	n/a	10 / 1
Detroit, MI	WDTK	AM	1400	October 2028	C	n/a	1 / 1
	WLQV	AM	1500	October 2028	B	n/a	50 / 10
Phoenix, AZ	KKNT	AM	960	October 2021	B	n/a	5 / 5
	KPXQ	AM	1360	October 2021	B	n/a	50 / 1
	KXXT	AM	1010	October 2021	B	n/a	15 / 0.25
Minneapolis-St. Paul, MN	KKMS	AM	980	April 2021	B	n/a	5 / 5
	KDIZ	AM	1570	April 2021	B	n/a	4.0 / 0.22
	WWTC	AM	1280	April 2021	B	n/a	10 / 15
	KYCR	AM	1440	April 2021	B	n/a	5 / 0.5
San Diego, CA	KPRZ	AM	1210	December 2021	B	n/a	20 / 10
	KCBQ	AM	1170	December 2021	B	n/a	50 / 2.9
Tampa, FL	WTWD	AM	910	February 2028	B	n/a	5 / 5
	WTBN	AM	570	February 2028	B	n/a	5 / 5
	WGUL	AM	860	February 2028	B	n/a	5 / 1.5
Denver-Boulder, CO	KRKS	FM	94.7	April 2021	C	984	100
	KRKS(1)	AM	990	April 2021	B	n/a	6.5 / 0.39
	KNUS	AM	710	April 2021	B	n/a	5 / 5
	KBJD(1)	AM	1650	April 2021	B	n/a	10 / 1
Portland, OR	KPDQ	FM	93.9	February 2022	C1	1,270	52
	KPDQ	AM	800	February 2022	B	n/a	1 / 0.5
	KFIS	FM	104.1	February 2022	C2	1266	6.9
	KRYP	FM	93.1	February 2022	C3	1,270	1.6
	KDZR	AM	1640	February 2022	B	n/a	10 / 1
	KPAM	AM	860	February 2022	B	n/a	50 / 15
San Antonio, TX	KSLR	AM	630	August 2021	B	n/a	5 / 4.3
	KLUP	AM	930	August 2021	B	n/a	5 / 1
Riverside-San Bernardino, CA	KTIE	AM	590	December 2021	B	n/a	2.5 / 0.96
Sacramento, CA	KFIA	AM	710	December 2021	B	n/a	25 / 1
	KTKZ	AM	1380	December 2021	B	n/a	5 / 5
	KSAC	FM	105.5	December 2021	B1	1,010	2.55
	KKFS	FM	103.9	December 2021	A	328	6

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
Pittsburgh, PA	WORD	FM	101.5	August 2022	B	535	43
	WPIT	AM	730	August 2022	D	n/a	5 / 0.024
	WPGP	AM	1250	August 2022	B	n/a	5 / 5
Orlando, FL	WORL	AM	950	February 2028	B	n/a	12 / 5
	WTLN	AM	990	February 2028	B	n/a	50 / 14
Cleveland, OH	WHKW	AM	1220	October 2028	B	n/a	50 / 50
	WFHM	FM	95.5	October 2028	B	620	31
	WHK	AM	1420	October 2028	B	n/a	5 / 5
Columbus, OH	WRFD	AM	880	October 2028	D	n/a	23
	WTOH	FM	98.9	October 2028	A	505	2.6
Nashville, TN	WBOZ	FM	104.9	August 2028	A	328	6
	WFFH	FM	94.1	August 2028	A	453	3.2
	WFFI	FM	93.7	August 2028	A	755	1.15
Louisville, KY	WFIA	FM	94.7	August 2028	A	394	3.3
	WGTK	AM	970	August 2028	B	n/a	5 / 5
	WFIA	AM	900	August 2028	D	n/a	0.93 / 0.162
Greenville, SC	WGTK	FM	94.5	December 2027	C	1,490	100
	WRTH	FM	103.3	December 2027	A	479	2.7
	WLTE	FM	95.9	December 2027	A	233	6
Honolulu, HI	KAIM	FM	95.5	February 2022	C	1,854	100
	KGU	AM	760	February 2022	B	n/a	10 / 10
	KHCM	AM	880	February 2022	B	n/a	2 / 2
	KHCM	FM	97.5	February 2022	C1	46	80
	KGU	FM	99.5	February 2022	C	1,965	100
	KKOL	FM	107.9	February 2022	C	1,965	100
	KHNR	AM	690	February 2022	B	n/a	10 / 10
Sarasota-Bradenton, FL	WLSS	AM	930	February 2028	B	n/a	5 / 3
Little Rock, AR	KDIS	FM	99.5	June 2028	A	312	6
	KKSP	FM	93.3	June 2028	C3	699	22
	KDXE	FM	101.1	June 2028	A	876	0.85
	KZTS	AM	1380	June 2028	B	n/a	5 / 2.5
Colorado Springs, CO	KGFT	FM	100.7	April 2021	C	2,218	78
	KBIQ	FM	102.7	April 2021	C	2,280	72
	KZNT	AM	1460	April 2021	B	n/a	5 / 0.5
Oxnard-Ventura, CA	KDAR	FM	98.3	December 2021	B1	1,289	1.5
Warrenton, Virginia	WRCW	AM	1250	October 2027	D	n/a	3 / 0.125

(1) Radio station KNTS-AM is an expanded band station paired with station KLFE-AM in the Seattle, WA market, and station KBJD-AM is an expanded band station paired with KRKS-AM in the Denver, CO market. We are operating these four stations pursuant to FCC licenses or other FCC authority pending resolution by the FCC of the issue of AM expanded band dual operating authority. Depending upon how the FCC resolves that issue, it is possible that we will be required to surrender one station license in each station pair. Except for these stations, we are not currently aware of any facts that would prevent the timely renewal of our licenses to operate our radio stations, although there can be no assurance that our licenses will be renewed.

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The following table sets forth information with respect to each of our radio stations FM translators for which we are the licensee and/or operate:

Market	Station Call Letters	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Boston	W262CV (WROL)	100.3	4/1/2022	D	164	0.25	0.25
Cleveland	W245CY (WHKW)	96.9	10/1/2028	D	520	0.005	0.005
Cleveland	W273DG (WHK)	102.5	10/1/2028	D	520	0.005	0.005
Colorado Springs	K266CK (KZNT)	101.1	4/1/2021	D	-191	0.099	0.099
Columbus	W240CX (WTOH)	95.9	10/1/2028	D	505	0.99	0.525
Columbus	W283CL (WRFD)	104.5	10/1/2028	D	545	0.25	0.25
Dallas-Ft. Worth	K273BJ (KLTY-FM)	102.5	8/1/2021	D	434	0.25	0.25
Detroit	W224CC (WLQV)	92.7	10/1/2028	D	924	0.099	0.099
Detroit	W268CN (WDTK)	101.5	10/1/2028	D	914	0.099	0.099
Greenville	W245CH (WGTK-FM)	96.9	12/1/2027(1)	D	1,364	0.25	0.25
Greenville	W275BJ (WGTK-FM)	102.9	12/1/2027(1)	D	1,390	0.25	0.25
Honolulu	K232FL (KHNR)	94.3	2/1/2022	D	204	0.25	0.25
Honolulu	K236CR (KGU-AM)	95.1	2/1/2022	D	204	0.25	0.25
Houston	K277DE (KNTH)	103.3	8/1/2021	D	514	0.25	0.25
Little Rock	K288EZ (KZTS)	105.5	6/1/2028	D	332	0.25	0.25
Little Rock	K277DP (KZTS)	103.3	6/0/2028	D	323	0.25	0.25
Louisville	W297BV (WFIA)	107.3	8/1/2028	D	286	0.25	0.25
Louisville	W228EO (WGTK)	93.5	9/9/2022	D	191	0.099	0.099
Miami	W270CV (WKAT)	101.9	2/1/2028(1)	D	531	0.25	0.25
Minneapolis	K298CO (WWTC)	107.5	4/1/2021	D	176	0.25	0.25
New York	W272DX (WMCA)	102.3	6/1/2022	D	357	0.25	0.25
Orlando	W268CT (WTLN)	101.5	2/1/2028(1)	D	323	0.25	0.25
Orlando	W235CR (WORL)	94.9	2/1/2028(1)	D	434	0.225	0.225
Pittsburgh	W223CS (WPGP)	92.5	8/1/2022	D	455	0.11	0.11
Pittsburgh	W243BW (WPIT)	96.5	8/1/2022	D	466	0.25	0.25
Portland	K292HH (KPDQ)	106.3	2/1/2022	D	1,150	0.099	0.099
Sacramento	K289CT (KFIA)	105.7	12/1/2021	D	291	0.25	0.25
San Diego	K241CT (KCBQ)	96.1	12/1/2021	D	826	0.25	0.25
San Diego	K291CR (KPRZ)	106.1	12/1/2021	D	820	0.25	0.25
San Francisco	K237GZ (KDOW)	95.3	12/1/2021	D	1,263	0.04	0.04
Seattle	K281CQ (KGNW)	104.1	2/1/2022	D	1,248	0.099	0.099
Tampa	W271CY (WTWD)	102.1	2/1/2028(1)	D	271	0.125	0.125
Tampa	W229DJ (WGUL)	93.7	2/1/2028(1)	D	272	0.099	0.099
Tampa/Sarasota	W229BR (WLSS)	93.7	2/1/2028(1)	D	212	0.099	0.099
Tampa/Sarasota	W262CP (WTBN)	100.3	2/1/2028(1)	D	1,074	0.25	0.25
Washington DC	W244EB (WAVA)	96.7	4/10/2021	D	641	0.15	0.15

(1) FCC Renewal pending

Ownership Matters. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to assign, transfer, grant or renew a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the “character” of the licensee and those persons holding “attributable” interests therein, and compliance with the Communications Act’s limitation on alien ownership, as well as compliance with other FCC policies, including equal employment opportunity requirements.

FCC rules and policies define the interests of individuals and entities, known as “attributable” interests, which implicate FCC rules governing ownership of broadcast stations. and other specified mass media entities. Under these rules, attributable interests generally include: (1) officers and directors of a licensee and of its direct and indirect parents; (2) general partners; (3) limited partners and limited liability company members, unless properly “insulated” from management activities; (4) a 5% or more direct or indirect voting stock interest in a corporate licensee or parent, except that, for a narrowly defined class of passive investors, the attribution threshold is a 20% or more voting stock interest; and (5) combined equity and debt interests in excess of 33% of a licensee’s total asset value, if the interest holder provides over 15% of the licensee station’s total weekly programming, or has an attributable same-service (radio or television) broadcast or newspaper interest in the same market (the “EDP Rule”). An entity that owns one or more radio stations in a market and programs more than 15% of the broadcast time or sells more than 15% per week of the advertising time on a radio station in the same market is generally deemed to have an attributable interest in that station. Debt instruments, non-voting corporate stock, minority voting stock interests in corporations having a single majority stockholder, and properly insulated limited partnership and limited liability company interests generally are not subject to attribution unless such interests implicate the EDP Rule.

The FCC ownership rules relevant to our business are summarized below. Because of these rules, a purchaser of voting stock of the company that acquires an “attributable” interest in the company may violate the FCC’s rule if it also has an attributable interest in another radio station, depending on the number and location of those radio stations. Such a purchaser also may be restricted in the other companies in which it may invest, to the extent that these investments give rise to an attributable interest. If an attributable stockholder of the company violates any of these ownership rules, the company may be unable to obtain from the FCC one or more authorizations needed to conduct its radio station business and may be unable to obtain FCC consents for certain future acquisitions.

Foreign Ownership: Under the Communications Act, a broadcast license may not be granted to or held by a corporation that has more than one-fifth of its capital stock owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Under the Communications Act, there are limitations on the licensee of a broadcast license, that is held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. These restrictions apply in modified form to other forms of business organizations, including partnerships. We therefore may be restricted from having more than one-fourth of our stock owned or voted by aliens, foreign governments or non-U.S. corporations, although the FCC will entertain and authorize, on a case-by-case basis and upon a sufficient public interest showing, proposals to exceed the 25% indirect foreign ownership limit in broadcasting holding companies. The FCC generally will not make such a determination absent favorable executive branch review.

Local Radio Ownership: The maximum allowable number of radio stations that may be commonly owned in a market is based on the size of the market. In markets with 45 or more stations, one entity may have an attributable interest in up to eight stations, of which no more than five are in the same radio service (AM or FM). In markets with 30-44 stations, one entity may have an attributable interest in up to seven stations, of which no more than four are in the same service. In markets with 15-29 stations, one entity may have an attributable interest in up to six stations, of which no more than four are in the same service. In markets with 14 or fewer stations, one entity may have an attributable interest in up to five stations, of which no more than three are in the same service, so long as the entity does not have an interest in more than 50% of all stations in the market. To apply these ownership tiers, the FCC relies on Nielsen Metro Survey Areas, where they exist, and a signal contour-overlap methodology where they do not exist. An FCC rulemaking is pending to determine how to define radio markets for stations located outside Nielsen Metro Survey Areas.

The FCC also restricts the number of television stations an entity may own both in local markets and nationwide.

Our current ownership of radio broadcast stations complies with the FCC's multiple ownership rules; however, these rules may limit the number of additional stations that we may acquire in the future in certain of our markets.

Cross-Ownership: The newspaper/broadcast cross-ownership rule prohibits an individual or entity from having an attributable interest in either a radio or television station and a daily newspaper located in the same market, subject to certain exceptions and with waivers available in particular cases. The radio/television cross-ownership rule limits common ownership of television stations and same market radio stations. In general, an individual or entity may hold attributable interests in one television station and up to seven same-market radio stations (or two television stations and up to six same-market radio stations), depending on the number of independently owned radio, television and other specified media "voices" in the market.

Review of Media Ownership Rules: The FCC is required by statute to review all of its broadcast ownership rules on a quadrennial basis (*i.e.*, every four years) and to repeal or modify any of its rules that are no longer "necessary in the public interest." Despite several such reviews and appellate remands, the FCC's rules limiting the number of radio stations that may be commonly owned in a local market have remained largely intact since their initial adoption following the 1996 Act. The FCC's previous ownership reviews have been subject to litigation.

In November 2019, the United States Court of Appeals for the Third Circuit issued a decision that resulted in reinstatement of the cross-ownership rules, which the FCC had previously eliminated. The Supreme Court of the United States granted petitions for certiorari seeking review of the Third Circuit decision and heard argument on January 19, 2021. The case remains pending. The FCC initiated its 2018 quadrennial review in December 2018 and that proceeding remains pending. Among other things, the FCC is seeking comment on all aspects of the local radio ownership rule's implementation and whether the current version of the rule remains necessary in the public interest. We cannot predict whether the appeal or forthcoming review proceeding will result in modifications of the ownership rules or the impact (if any) that such modifications would have on our business.

Federal Antitrust Considerations. The Federal Trade Commission ("FTC") and the Department of Justice ("DOJ"), which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, are also active in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Improvements Act ("HSR Act") and the rules promulgated thereunder require the parties to file Notification and Report Forms with the FTC and the DOJ and to observe specified waiting period requirements before consummating the acquisition. At any time before or after the consummation of a proposed acquisition, the FTC or the DOJ could take such action under the antitrust laws, as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or other assets of the company. The FTC or the DOJ may investigate acquisitions that are not required to be reported under the HSR Act under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws. The DOJ also has stated publicly that it believes that LMAs and other similar agreements customarily entered into in connection with radio station transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act.

We can provide no assurances that our acquisition strategy will not be adversely affected in any material respect by antitrust reviews.

Geographic Financial Information

Our customers are based in various locations throughout the United States. While no one customer currently accounts for 10% or more of our total revenue individually or in the aggregate, our broadcast operating segment is particularly dependent on revenue generated from our Los Angeles and Dallas broadcast markets. Our Los

Angeles radio stations generated 10.6% of our total net broadcasting revenue for the year ended December 31, 2020 and 11.6% of our total net broadcasting revenue for the year ended December 31, 2019. Our Dallas radio stations generated 9.3% of our total net broadcasting revenue for the year ended December 31, 2020 and 10.1% of our total net broadcasting revenue for the year ended December 31, 2019.

Because substantial portions of our broadcast revenue is derived from our Los Angeles and Dallas markets, our ability to generate revenue in those markets could be adversely affected by local or regional economic downturns in these areas.

Available Information

Our Internet address is www.salemmedia.com. We make available free of charge on our investor relations website under the heading "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports are available as soon as reasonably practical after we electronically file them or furnish them to the SEC. *Any information found on our website is not a part of or incorporated by reference into, this or any other report of the company filed with, or furnished to, the SEC.*

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own or lease various properties throughout the United States from which we conduct business. No one physical property is material to our overall business operations. We believe that each of our properties are in good condition and suitable for our operations; however, we continually evaluate opportunities to upgrade our properties. We believe that we will be able to renew existing leases when applicable or obtain comparable facilities, as necessary.

Executive Offices

Our executive offices are located in Irving, Texas, where we own an approximately 43,000 square foot office building.

Broadcasting

Our broadcast facilities include offices and studios, transmitter locations, antenna sites and tower sites. Offices and studios are typically located in buildings that are in a downtown or business district. Transmitter, antenna and tower sites are located in areas that provide maximum market coverage. Our radio stations broadcast from 89 tower sites, including 44 tower sites in which we own the land.

SRN™, SMR , Salem Consumer Products, our Dallas radio stations studios and offices, and our executive offices are located in the Dallas, Texas metropolitan area. We also own office buildings in Honolulu, Hawaii; Tampa, Florida; Orlando, Florida and Greenville, South Carolina from which our radio stations studios and offices operate. Our national radio network operates from various offices and studios. These studios may be used to generate programming or programming can also be relayed from a remote point of origination. Our network also leases satellite transponders used in the delivery of its programming.

Our current lease agreements range from four months to twenty-eight years remaining on the lease term. We lease certain property from our principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are described in Note 17, Related Party Transactions in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report.

While none of our owned or leased properties is individually material to our operations, if we were required to relocate any of our broadcast towers, the cost would be significant. Significant costs are due to the moving and reconstruction of the tower as well as the limited number of sites in any geographic area that permit a tower of reasonable height to provide adequate market coverage. These limitations are due to zoning and other land use restrictions, as well as Federal Aviation Administration and FCC regulations.

Digital Media

Our digital media entities operate from office buildings and require additional data storage centers. SWN operates from leased office facilities in Richmond, Virginia and Nashville, Tennessee. Townhall Media operates from a leased facility in Arlington, Virginia that is shared with our radio stations and Eagle Financial Publications. Our current lease agreements range from one to six years remaining on the lease term.

Publishing

Regnery® Publishing operates from a leased facility in Washington, D.C. with inventory fulfillment managed by a third-party in Delran, New Jersey. Salem Author Services operates from a leased facility in Orlando, Florida. *Singing News*® operates from a leased facility in Nashville, Tennessee that is shared with our broadcasting operations in that market. Our current lease agreements range from two to three years remaining on the lease term.

Corporate

Certain corporate administrative functions are performed in Camarillo, California where we own an approximately 46,000 square foot office building.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE AND SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Class A common stock trades on the NASDAQ Global Market® ("NASDAQ-NGM") under the symbol SALM. On February 10, 2021, we had approximately 51 stockholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 21,129,667 outstanding shares of Class A common stock and two stockholders of record and 5,553,696 outstanding shares of Class B common stock. The following table sets forth for the fiscal quarters indicated the range of high and low sale price information per share of the Class A common stock of the company as reported on the NASDAQ-NGM.

	2019				2020			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
High (mid-day)	$3.26	$2.67	$2.50	$1.70	**$1.74**	**$2.62**	**$2.46**	**$1.25**
Low (mid-day)	$2.08	$1.85	$1.48	$1.35	**$0.65**	**$0.69**	**$0.85**	**$0.78**

There is no established public trading market for the company's Class B common stock.

DIVIDEND POLICY

Our dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. The actual declaration of any future equity distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. The reduction or elimination of equity distributions may negatively affect the market price of our common stock.

On May 6, 2020 our Board voted to discontinue distributions on our common stock indefinitely due to the adverse economic impact of the COVID-19 pandemic on our financial position, results of operations, and cash flows.

The following table shows the equity distributions that have been declared and paid to all stockholders of record of our Class A and Class B common stock during the years ended December 31, 2020 and 2019.

Announcement Date	Record Date	Payment Date	Amount Per Share	Cash Distributed (in thousands)
March 10, 2020	March 24, 2020	March 31, 2020	$ 0.0250	$ 667
December 10, 2019	December 23, 2019	December 30, 2019	$ 0.0250	$ 667
September 11, 2019	September 23, 2019	September 30, 2019	$ 0.0650	$ 1,730
May 14, 2019	June 14, 2019	June 28, 2019	$ 0.0650	$ 1,728
March 7, 2019	March 19, 2019	March 29, 2019	$ 0.0650	$ 1,702

Our sole source of cash available for making any future equity distributions is our operating cash flow subject to our 6.75% Notes and ABL Facility, which contain covenants that restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

ITEM 7. 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 included elsewhere in 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 Item 8 of this annual report for details of each of these transactions. We have elected the presentation requirements under Rule 12b-2 of the Exchange Act as a smaller reporting company and have herein included a two-year discussion of our financial condition and results of operations.

Historical operating results are not necessarily indicative of future operating results. Actual future results may differ from those contained in or implied by the forward-looking statements as a result of various factors. These factors include, but are not limited to:

- the coronavirus COVID-19 ("COVID-19") that is adversely impacting our business,
- risks and uncertainties relating to the need for additional funds to service our debt,
- risks and uncertainties relating to the need for additional funds to execute our business strategy,
- our ability to access borrowings under our Asset Based Loan ("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,
- 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.

Overview

Salem Media Group, Inc. ("Salem" "we" "us" "our" and "its") is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. *The information on our website is not a part of or incorporated by reference into this or any other report of the company filed with, or furnished to, the SEC.*

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

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

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;
- fees earned for the creation of custom web pages and custom digital media campaigns for our advertisers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- product sales and royalties for on-air host materials, including podcasts and programs; 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 lease 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;
- the sale of digital advertising on our magazine websites and digital newsletters;

- subscription fees for our print magazine; and
- the sale of print magazine advertising.

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. Refer to Item 1. Business of this annual report for a description of our broadcasting operations.

Revenue generated from our radio stations, networks and sales firms is reported as broadcast revenue in our Consolidated Financial Statements included in Item 8 of 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 7 of our broadcast markets.

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

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

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction 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, 2020 and 2019, 98% and 97%, 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 based businesses provide Christian, conservative, investing, e-commerce, audio and video streaming, and other resources digitally through the web. Refer to Item 1. Business of this annual report for a description of each of our digital media websites and operations.

Revenue generated from this segment is reported as digital media revenue in our Consolidated Statements of Operations included in 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 generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product websites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

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

Publishing

Our publishing operations include book publishing through Regnery® Publishing, self-publishing services through Salem Author Services and Singing News Magazine. Refer to Item 1. Business of this annual report for a description of each of our publishing operations.

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, the number and rate of print magazine subscriptions sold, the rate and number of pages of advertisements sold in each print magazine, 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 printing and production costs, fulfillment costs, author royalties and inventory reserves.

Known Trends and Uncertainties

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The responses by federal, state and local governments to restrict public gatherings and travel rapidly grew to include stay-at-home orders, school closures and mandatory restrictions on non-essential businesses and services that has adversely affected workforces, certain economies, and financial markets resulting in a significant economic downturn. We experienced declining revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spend due to the outbreak and stay-at-home orders that effectively shut many businesses down. This was particularly true within our broadcast segment, which derives substantial revenue from local advertisers who have been particularly hard hit due to social distancing and government interventions and in our publishing segment that sells books in retail stores and through live events.

While this disruption is expected to be temporary, there remains to be considerable uncertainty around the duration. Although advertising revenue continues to improve from the lowest levels experienced during April and May of 2020, it remains significantly below prior years. The exact timing and pace of the recovery has not been determinable as certain markets have reopened, some of which have since experienced a resurgence of COVID-19 cases, resulting in varying degrees of reinstated stay-at-home orders. Due to continuing uncertainties regarding the ultimate scope and trajectory of COVID-19's spread and evolution, it is impossible to predict the total impact that the pandemic will have on our business. If public and private entities continue to enforce restrictive measures, the material adverse effect on our business, results of operations, financial condition and cash flows could persist. Our businesses could also continue to be impacted by the disruptions from COVID-19 and resulting adverse changes in advertising customers and consumer behavior.

Future availability under our credit facility is contingent upon our eligible receivable balance, which is negatively impacted by lower revenue and longer days to collect. Availability under our ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The maximum amount available under our ABL Facility declined to $24.2 million at December 31, 2020 from $26.4 million at December 31, 2019, of which $5.0 million was outstanding at December 31, 2020 compared to $12.4 million outstanding at December 31, 2019.

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

Our broadcast revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 10.6% and 9.3% respectively, of our total net broadcast revenue during the year ended December 31, 2020 compared to 11.6% and 10.1%, respectively, of our total net broadcast revenue during the same period of the prior year.

Revenue from print magazines, including advertising revenue and subscription revenue, is challenged due to lower demand from the audiences that increasingly use other mediums that deliver comparable information. Book sales are contingent upon overall economic conditions and our ability to attract and retain authors. Decreases in digital revenue could adversely affect our operating results, financial condition and results of operations. Digital revenue is impacted by the nature and delivery of page views and the number of advertisements per page. We have experienced a shift in the number of page views from desktop devices to mobile devices. While mobile page views have increased dramatically, they carry a lower number of advertisements per page and are generally sold at lower rates. A shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. To minimize the impact that any one of these areas could have, we continue to explore opportunities to cross-promote our brands and our content, and to strategically monitor costs.

Key Financial Performance Indicators—Same-Station Definition

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same Station basis. Same Station is a Non-GAAP financial measure used both in presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. 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 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 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,	
	2019	**2020**
	(Dollars in thousands)	
Net broadcast revenue	$ 193,339	**$ 178,127**
Less broadcast operating expenses	(149,439)	**(140,942)**
Station Operating Income	$ 43,900	**$ 37,185**
Net digital media revenue	$ 39,165	**$ 39,593**
Less digital media operating expenses	(30,801)	**(31,725)**
Digital Media Operating Income	$ 8,364	**$ 7,868**
Net publishing revenue	$ 21,394	**$ 18,519**
Less publishing operating expenses	(22,348)	**(21,950)**
Publishing Operating Loss	$ (954)	**$ (3,431)**

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

	Year Ended December 31,	
	2019	**2020**
	(Dollars in thousands)	
Net loss	$ (27,839)	**$ (54,062)**
Plus provision for income taxes	3,977	**30,274**
Plus net miscellaneous (income) and expenses	(163)	**9**
Plus (gain) loss on early retirement of long-term debt	(1,670)	**(49)**
Plus interest expense, net of capitalized interest	17,496	**16,075**
Less interest income	(2)	**(1)**
Net operating loss	$ (8,201)	**$ (7,754)**
Plus net (gain) loss on the disposition of assets	22,326	**1,575**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,925	**17,254**
Plus impairment of goodwill	2,427	**307**
Plus change in the estimated fair value of contingent earn-out consideration	(41)	**(12)**
Plus depreciation and amortization	15,934	**14,058**
Plus unallocated corporate expenses	15,940	**16,194**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 51,310	**$ 41,622**
Station Operating Income	$ 43,900	**$ 37,185**
Digital Media Operating Income	8,364	**7,868**
Publishing Operating Loss	(954)	**(3,431)**
	$ 51,310	**$ 41,622**

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,	
	2019	**2020**
	(Dollars in thousands)	
Net loss	$ (27,839)	**$ (54,062)**
Plus interest expense, net of capitalized interest	17,496	**16,075**
Plus provision for income taxes	3,977	**30,274**
Plus depreciation and amortization	15,934	**14,058**
Less interest income	(2)	**(1)**
EBITDA	$ 9,566	**$ 6,344**
Plus net (gain) loss on the disposition of assets	22,326	**1,575**
Plus change in the estimated fair value of contingent earn-out consideration	(41)	**(12)**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,925	**17,254**
Plus impairment of goodwill	2,427	**307**
Plus net miscellaneous (income) and expenses	(163)	**9**
Plus (gain) on early retirement of long-term debt	(1,670)	**(49)**
Plus non-cash stock-based compensation	1,460	**345**
Plus ASC 842 lease adoption	171	**—**
Adjusted EBITDA	$ 37,001	**$ 25,773**

RESULTS OF OPERATIONS

Year Ended December 31, 2020 compared to the year ended December 31, 2019

The following factors affected our results of operations and cash flows for the year ended December 31, 2020 as compared to the prior year:

Financing

During the year ended December 31, 2020, we completed repurchases of $3.5 million of the Notes for $3.4 million in cash, recognizing a net gain of $49,000 after adjusting for bond issuance costs compared to repurchases of compared to repurchases of $18.7 million of the Notes for $16.8 million in cash, recognizing a net gain of $1.7 million after adjusting for bond issuance costs during the prior year as detailed in Note 13—Long-Term Debt in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report.

Equity Transactions

Distributions of $0.7 million ($0.025 per share) were declared and paid in March 2020 compared to distributions of $5.8 million ($0.025 per share) during the prior year as detailed in Note 19—Equity Transactions in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report.

Acquisitions and Divestitures

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

- On September 15, 2020, we acquired the Hyper Pixels Media website and related assets for $1.1 million in cash. We paid $0.4 million in cash upon closing with deferred payments of $0.4 million due January 31, 2021 and $0.3 million due September 15, 2021.
- On April 6, 2020, we sold radio station WBZW-AM and an FM translator construction permit in Orlando, Florida, for $0.2 million in cash.
- On November 14, 2019, we sold nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri for $8.7 million in cash.
- On September 27, 2019, we exchanged radio station KKOL-AM, in Seattle, Washington for KPAM-AM in Portland, Oregon. No cash was exchanged for the assets.
- On September 26, 2019, we sold four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida for $8.2 million in cash.
- On September 18, 2019, we sold radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida for $0.9 million in cash.
- On August 15, 2019 we exchanged FM Translator W276CR, in Bradenton, FL for FM Translator W262CP in Bayonet Point, FL. No cash was exchanged for the assets.
- On July 25, 2019, we acquired the Journeyboxmedia.com website and related assets for $0.5 million in cash.
- On July 10, 2019 we acquired certain assets including a digital content library from Steelehouse Productions, Inc. for $0.1 million in cash.

- On June 27, 2019, we sold a portion of land on our transmitter site in Miami, Florida, for $0.9 million in cash.
- On June 6, 2019, we acquired InvestmentHouse.com website and related financial newsletter assets for $0.6 million in cash.
- On May 14, 2019, we sold radio station WSPZ-AM (previously WWRC-AM) in Washington D.C. for $0.8 million in cash. The buyer began programming the station on April 12, 2019 under a TBA.
- On March 21, 2019, we sold Newport Natural Health for $0.9 million in cash.
- On March 18, 2019, we acquired the pjmedia.com website for $0.1 million in cash.
- On February 28, 2019, we sold Mike Turner's line of investment products, including TurnerTrends.com and other domain names and related assets.
- On February 27, 2019, we sold HumanEvents.com, for $0.3 million in cash.

Net Broadcast Revenue

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$193,339	**$178,127**	$(15,212)	(7.9)%	76.1%	**75.4%**
Same Station Net Broadcast Revenue	$186,395	**$175,388**	$(11,007)	(5.9)%		

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

	Year Ended December 31,			
	2019		**2020**	
	(Dollars in thousands)			
Block Programming:				
National	$ 48,465	25.0%	**$ 47,009**	**26.4%**
Local	30,502	15.8	**24,267**	**13.6**
	78,967	40.8	**71,276**	**40.0**
Broadcast Advertising:				
National	16,352	8.5	**15,288**	**8.6**
Local	51,824	26.8	**39,407**	**22.1**
	68,176	35.3	**54,695**	**30.7**
Station Digital (local)	14,892	7.7	**24,527**	**13.8**
Infomercials	1,409	0.7	**974**	**0.5**
Network	19,078	9.9	**19,371**	**10.9**
Other Revenue	10,817	5.6	**7,284**	**4.1**
Net Broadcast Revenue	$193,339	100.0%	**$178,127**	**100.0%**

Block programming revenue declined by $7.7 million, including a $6.2 million decline in local programming revenue and a $1.5 million decline in national programming revenue. The decline includes $2.7 million of revenue generated in 2019 from stations sold during that year, of which $2.3 million was local programming and $0.4 million was national programming. Additionally, approximately $1.2 million of the decline was due to local sports programming that was cancelled during 2020 due to the COVID-19 pandemic and $0.4 million from early payments discounts offered to a limited number of national programmers during 2020. The remainder of the decline was due to certain programmers discontinuing their ministry efforts and an increase in competition from other broadcasters and from podcasts that resulted in a lower number of programs and lower rates.

Advertising revenue, net of agency commissions, declined by $13.5 million, $15.9 million net of political, due to a $13.3 million decline in local advertising net of political and a $2.6 million decline in national advertising revenue net of political. Local advertising, net of political, declined by $5.6 million on our Contemporary Christian Music format radio stations, $3.0 million on our Christian Teaching and Talk format radio stations, $2.4 million on our News Talk format radio stations, and $2.1 million on other format stations. These declines were due to lower spot rates charged to compete with other broadcasters, primarily in the Dallas, Atlanta and Los Angeles markets, where competition for advertising buys was strong. An additional $1.4 million of the decline resulted from stations sold during 2019. The remainder of the decline was attributable to the economic impact of the COVID-19 pandemic with many advertisers reducing or ceasing to advertise due tostay-at-home orders and limited capacity orders that temporarily closed their businesses.

Station digital revenue, or local digital revenue generated from our radio stations and networks, increased by $9.6 million due to the growth of digital product offerings through Salem Surround, our national multimedia digital advertising agency providing digital marketing services to our customers. Our product offerings include social media campaigns, search engine optimization, retargeted advertising and other services intended to increase our market share as advertising dollars shift away from pure broadcast to include digital and digital technologies. In addition, we recently launched SalemNOW, an on-demand pay-per-view video steaming platform that contributed $4.4 million of the $9.6 million growth in revenue. There were no significant changes in digital rates as compared to the prior year.

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

Network revenue, net of digital, increased by $0.3 million due to a $1.7 million decline in national advertising revenue offset by a $2.0 million increase in political advertising.

Other revenue declined by $3.5 million due to a $2.7 million decrease in event revenue from the cancellation of live events due to theCOVID-19 pandemic, a $0.7 million decrease in listener purchase program revenue from lower listener participation. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather, which can affect attendance. We began offering virtual events during 2020 that may continue as conditions warrant.

On a Same Station basis, net broadcast revenue decreased $11.0 million, which reflects these items net of the impact of stations acquired, disposed of, or with format changes.

Net Digital Media Revenue

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$39,165	**$39,593**	$ 428	1.1%	15.4%	**16.8%**

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

	Year Ended December 31,			
	2019		**2020**	
	(Dollars in thousands)			
Digital Advertising, net	$20,454	52.2%	**$20,644**	**52.1%**
Digital Streaming	3,873	10.0	**3,446**	**8.7**
Digital Subscriptions	8,044	20.5	**9,208**	**23.3**
Digital Downloads	5,694	14.5	**5,904**	**14.9**
e-commerce	480	1.2	**140**	**0.4**
Other Revenue	620	1.6	**251**	**0.6**
Net Digital Media Revenue	$39,165	100.0%	**$39,593**	**100.0%**

National digital advertising revenue, net of agency commissions, increased by $0.2 million including a $1.4 million increase from conservative opinion websites within Townhall Media and a $0.1 million increase from Eagle Financial Publications that was offset with a $1.3 million decline from SWN. The net increase from Townhall Media includes $0.6 million from our March 2019 acquisition of pjmedia.com and increases from political elections and national events. Declines in national digital advertising from SWN are attributable to a loss of advertisers who moved advertising spending to digital programmatic advertisers, such as Facebook and Google, and to a loss of advertisers who reduced or eliminated advertising. We continue to acquire, develop and promote the use of mobile applications, particularly for our Christian mobile applications, to reduce our dependency on page views from digital programmatic advertisers. Because mobile page views carry fewer advertisements and tend to have shorter site visits as compared to desktop, our growth in mobile page views exceeds our growth in revenue from the mobile applications.

Digital streaming revenue decreased $0.4 million based on lower demand for content available from our Christian websites. There were no significant changes in sales volume or rates as compared to the prior year.

Digital subscription revenue increased $1.2 million, including a $1.0 million increase from Townhall VIP, a new subscription service from Townhall Media, $0.2 million from InvesmentHouse.com that was acquired in June 2019, and a $0.2 million net increase in the number of subscribers to newsletters from Eagle Financial Publications, offset by a $0.2 million decrease from Christianjobs.com and Churchstaffing.com within SWN.

Digital download revenue increased by $0.2 million from our church product websites, WorshipHouseMedia.com and SermonSpice™.com. There were no significant changes in rates as compared to the prior year.

E-commerce revenue decreased by $0.3 million including a $0.4 million decrease from the sale of Newport Natural Health on March 21, 2019 that was offset with a $0.1 million increase from Eagle Financial Publications. There were no significant changes in rates as compared to the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals. We recognized revenue of $0.2 million in 2019 related to transfer services provided to the buyer of Newport Natural Health. There were no changes in volume or rates as compared to the prior year.

Net Publishing Revenue

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$21,394	**$18,519**	$(2,875)	(13.4)%	8.4%	**7.8%**

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

	Year Ended December 31,			
	2019		2020	
	(Dollars in thousands)			
Book Sales	$17,418	81.4%	**$13,707**	**74.0%**
Estimated Sales Returns & Allowances	(5,739)	(26.8)	**(4,479)**	**(24.2)**
Net Book Sales	11,679	54.6	**9,228**	**49.8**
E-Book Sales	1,428	6.7	**1,605**	**8.7**
Self-Publishing Fees	5,474	25.6	**5,424**	**29.3**
Print Magazine Subscriptions	763	3.6	**680**	**3.7**
Print Magazine Advertisements	609	2.8	**353**	**1.9**
Digital Advertising	405	1.9	**415**	**2.2**
Other Revenue	1,036	4.8	**814**	**4.4**
Net Publishing Revenue	$21,394	100.0%	**$18,519**	**100.0%**

Net book sales declined by $2.5 million due to a lower volume of sales from Regnery® Publishing and Salem Author Services. Regnery® Publishing book sales reflect an 2% decrease in the average price per unit sold and a 22% decrease in volume due to a majority of book stores in the country being closed due to the COVID-19 pandemic and Amazon's decision to prioritize the shipment of essential products over the shipment of books. Revenue from book sales through Regnery® Publishing are directly attributable to the number of titles released each period and the composite mix of titles available. Revenue varies significantly from period to period based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book. The decrease of $1.3 million to the estimated sales returns and allowances reflects the lower number of print books sold through Regnery® Publishing. The decline in book sales from Salem Author Services was due to authors choosing not to buy books because they could not be promoted at live events. There were no significant changes in sale prices as compared to the prior year.

Regnery® Publishing e-book sales increased by $0.2 million with a 12% decrease in sales volume offset by a 27% increase in the average price per unit sold from sales incentives. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenue varies significantly based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees decreased $0.4 million due a decline in the number of authors with rates charged that were comparable to the prior year.

Declines in print magazine subscription revenue and advertising revenue reflect lower consumer demand and distribution levels. There were no significant changes in rates over the prior year.

Digital adverting revenue from Regnery® Publishing websites was consistent with the prior year with no changes in volume or rates.

Other revenue includes change fees, video trailers, and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue declined $0.2 million due to lower demand.

Broadcast Operating Expenses

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$149,439	**$140,942**	$(8,497)	(5.7)%	58.9%	**59.7%**
Same Station Broadcast Operating Expenses	$141,189	**$137,774**	$(3,415)	(2.4)%		

Broadcast operating expenses decreased by $8.5 million including $11.0 million from cost reduction initiatives and $5.1 million from stations sold during 2019 that were offset by a $7.5 million increase in costs from Salem Surround and SalemNOW. We implemented several cost cutting measures in response to the economic impact of the COVID-19 pandemic that resulted in a $3.4 million reduction in employee-related costs from temporary pay cuts, layoffs and furloughs, a $2.2 million decline in event costs, a $2.0 million decline in advertising, a $1.1 million decline in travel and entertainment, and a $0.3 million decline in lease expense. The decrease also reflects a $3.4 million decline in commissions consistent with lower revenue, a $0.4 million decline in non-cash stock-based compensation associated with restricted stock awards, and a $0.3 million decline in music license fees that was partially offset by a $1.3 million increase in bad debt expense, including an additional reserve of $1.1 million recorded at March 31, 2020 due to the impact on collections of the economic uncertainties from the COVID-19 pandemic, a $0.5 million increase in legal fees and a $0.5 million increase in insurance and software maintenance fees.

On a same-station basis, broadcast operating expenses decreased by $3.4 million. The decrease in broadcast operating expenses on a Same Station basis reflects the above described items net of the impact of start-up costs associated with station acquisitions, format changes and station dispositions.

Digital Media Operating Expenses

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$30,801	**$31,725**	$ 924	3.0%	12.1%	**13.4%**

The net increase in digital media operating expenses of $0.9 million includes a $0.7 million increase in professional services, a $0.4 million increase in cost of sales, a $0.3 million increase in commissions, a $0.3 million increase in software maintenance fees, a $0.1 million increase in royalties, a $0.1 million increase in advertising and promotional expenses and a $0.1 million increase in bad debt expense, offset by a $0.7 million decrease in support and streaming fees from vendor concessions, a $0.4 million decrease in employee-related expenses due to temporary pay cuts. The increases in advertising and promotion reflect start-up costs from the launch of Townhall VIP, a premium subscription service.

Publishing Operating Expenses

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$22,348	**$21,950**	$ (398)	(1.8)%	8.8%	**9.3%**

Publishing operating expenses decreased by $0.4 million, including a $0.9 million decrease in payroll-related costs and a $1.4 million decrease in the cost of goods sold that included a $0.7 million decrease from print books sold by Regnery® Publishing, a $0.6 million decline from Salem Author Services due to a lower volume of book sales and a $0.1 million decrease from Salem Publishing, a $0.1 million decrease in advertising and promotion expenses and a $0.1 million decrease in facility costs, that was offset by a $1.0 million increase in royalty expense reflecting an increase in the reserve for royalty advances based on lower sales, a $0.8 million increase in bad debt expense and a $0.3 million increase in professional services. The gross profit margin for Regnery® Publishing was 44% for the year ended December 31, 2020 as compared to 58% for the same period of the prior year as sales volume decreased greater than material costs savings. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services improved to 72% from 68% due to lower paper costs for print book sales.

Unallocated Corporate Expenses

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$15,940	**$16,194**	$ 254	1.6%	6.3%	**6.9%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax and treasury, that are not directly attributable to any one of our operating segments. The net increase of $0.3 million includes a $0.7 million increase in costs to surrender split dollar life insurance, a $0.2 million increase in office and computer maintenance due to a ransomware attack, a $0.1 million increase in professional services and a $0.1 million increase in facility costs that were offset by a $0.7 million decrease in non-cash stock-based compensation and a $0.1 million decrease in payroll-related expenses due to company-wide implementation of pay cuts.

Depreciation Expense

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$11,297	**$10,777**	$ (520)	(4.6)%	4.4%	**4.6%**

The decrease in depreciation expense reflects the impact station assets sold during 2019 and the impact of reduced capital expenditures during 2020 and a reduction in acquisition activity. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$4,637	**$3,281**	$(1,356)	(29.2)%	1.8%	**1.4%**

The decrease in amortization expense reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that were fully amortized at or near the beginning of the 2020 calendar year resulting in lower amortization expense for this year. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

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

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Change in the Estimated Fair Value of Contingent Earn-Out Consideration	$(41)	**$(12)**	$ 29	(70.7)%	—%	**—%**

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 may materially impact and cause volatility in our operating results.

At December 31, 2020, no estimated contingent earn-out consideration was outstanding compared to $19,000 at December 31, 2019. We recorded a net decrease to our estimated contingent earn-out liabilities of $12,000 for the year ended December 31, 2020 compared to a net decrease of $41,000 during the prior year. Changes in our estimates of the contingent earn-out reflect the volatility of projected revenue growth, page views and session time. We made $7,000 in cash payments for contingent earn-out consideration during the year ended December 31, 2020 compared to no cash payments made in the prior year.

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

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$2,925	**$17,254**	$14,329	489.9%	1.2%	**7.3%**

We performed an interim review of broadcast licenses for certain markets during the three months ended March 31, 2020 due to the COVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenue. We engaged an independent third-party appraisal and valuation firm to assist us with determining the fair value of our broadcast licenses. Based on our interim review and analysis, we recorded an impairment charge of $17.0 million to the value of broadcast licenses in Chicago, Cleveland, Louisville, Philadelphia, Portland, Sacramento and Tampa. We also recorded an impairment charge of $0.3 million to the value of mastheads. These impairments were driven by decreases in projected revenue due to the current estimated impact of COVID-19 and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

The impairment charge of $2.9 million for the year ended December 31, 2019 includes a $1.9 million impairment to broadcast licenses in our Louisville, Philadelphia, Portland and San Francisco markets recorded during interim testing in September 2019 based on market revenue that was trending below the forecasted amounts that were used in our 2018 year-end valuations, a $1.0 million impairment to broadcast licenses in our Tampa market recognized during annual testing in the fourth quarter of 2019 and a $17,300 impairment of mastheads recognized during our annual testing in the fourth quarter of 2019. These impairment charges were driven by decreases in the projected long-term revenue growth rates for the broadcast and publishing industries. We believe that these decreases are indicative of trends in the industry as a whole and are not unique to our company or operations.

Impairment of Goodwill

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$2,427	**$307**	$(2,120)	(87.4)%	1.0%	**0.1%**

We performed an interim review of goodwill for impairment during the three months ended March 31, 2020 due to the COVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenue. We engaged an independent third-party appraisal and valuation firm to assist us with determining the enterprise value for certain entities. Based on our interim review and analysis we recorded an impairment charge of $0.3 million. These impairments were driven by decreases in projected revenue due to the current estimated impact of COVID-19 and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

During our annual testing in the fourth quarter of 2019, we identified operating losses within Eagle Financial Publications and Salem Author Services that indicated that the value of goodwill may be impaired. We engaged an independent third-party appraisal and valuation firm to assist us with determining the enterprise value. Based on this review and analysis, we recorded an impairment charge of $2.1 million associated with the value of goodwill for Eagle Financial Publications and $0.3 million to the value of goodwill with Salem Author Services.

We believe that these decreases are indicative of trends in the industry as a whole and are not unique to our company or operations.

Net (Gain) Loss on the Disposition of Assets

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of Assets	$22,326	**$1,575**	$(20,751)	(92.9)%	8.8%	**0.7%**

The net loss on the disposition of assets of $1.6 million for the year ended December 31, 2020 includes a $1.4 million estimated pre-tax loss for associated with plans to exit the Miami broadcast market with the pending sale of radio station WKAT-AM and various other fixed asset disposals.

The net loss on the disposition of assets of $22.3 million for the year ended December 31, 2019 includes a $9.4 million pre-tax loss from the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri, a $4.7 million pre-tax loss from the sale of four radio stations WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida, a $3.8 million pre-tax loss on the sale of radio station WSPZ-AM in Washington, D.C., a $1.6 million pre-tax loss from the sale of radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida, a $1.3 million pre-tax loss on the exchange of radio station KKOL-AM in Seattle, Washington for KPAM-AM in Portland, Oregon, a $0.2 million pre-tax loss on the sale Mike Turner's line of investment products, a $0.2 million pre-tax loss on the sale of HumanEvents.com, and a $1.5 million estimated pre-tax loss on the pending sale of radio station WBZW-AM in Orlando, Florida, that was partially offset by a $0.4 million pre-tax gain on the sale of a portion of land on our transmitter site in Miami, Florida and a $0.1 million pre-tax gain on the sale of Newport Natural Health.

Other Income (Expense)

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 2	**$ 1**	$ (1)	(50.0)%	—%	—%
Interest Expense	(17,496)	**(16,075)**	1,421	(8.1)%	(6.9)%	(6.8)%
Gain on Early Retirement of Long-Term Debt	1,670	**49**	(1,621)	(97.1)%	0.7%	—%
Net Miscellaneous Income and (Expenses)	163	**(9)**	(172)	(105.5)%	0.1%	—%

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

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The decrease of $1.4 million reflects the lower outstanding balance of the Notes, the outstanding balance of the ABL Facility with variable interest rates ranging from 2.0% to 3.0% during 2020 compared to 3.8% to 4.5% during the prior year, and finance lease obligations outstanding during the year ended December 31, 2020.

The gain on the early retirement of long-term debt reflects $3.5 million of repurchases of the Notes at prices below face value resulting in a pre-tax gain of $49,000 for the year ended December 31, 2020 compared to $18.7 million of repurchases of the Notes at prices below face value resulting in a pre-tax gain of $1.7 million for the prior year.

Net miscellaneous income and expenses includes miscellaneous receipts such as usage fees for real estate properties and miscellaneous expenses. During the year ended December 31, 2019, we received $0.1 million in insurance proceeds associated with water damage to one of our radio stations in Los Angeles, California.

Provision for Income Taxes

	Year Ended December 31,					
	2019	**2020**	Change $	Change %	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for Income Taxes	$3,977	**$30,274**	$26,297	661.2%	1.6%	**12.8%**

We recognized provision for income tax of $30.3 million for the year ended December 31, 2020 compared to $4.0 million for the prior year. The provision for income taxes as a percentage of income before income taxes, or the effective tax rate was (127.3)% for the year ended December 31, 2020 compared to (16.7)% for the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the sale of business assets in various states, state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. For the year ended December 31, 2020, the primary drivers of the effective tax rate include a federal income tax benefit generated from operations of $5.0 million, an additional valuation allowance of $24.3 million relating to federal net operating loss carryforwards and a $10.8 million valuation allowance related to state net operating loss carryforwards, along with permanent differences and other state statutory rate adjustments. The state income tax provision is an accumulation of applicable state income taxes calculated in accordance with each state's tax laws and each state's pre-tax income that ranges from various losses to income levels.

Net Loss

	Year Ended December 31,					
	2019	**2020**	Change $	Change%	2019	**2020**
	(Dollars in thousands)				% of Total Net Revenue	
Net Loss	$(27,839)	**$(54,062)**	$(26,223)	94.2%	(11.0)%	**(22.9)%**

Net loss increased by $26.2 million to $54.1 million for the year ended December 31, 2020 compared to $27.8 million during the prior year due to the changes described above.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies and the related judgments and estimates are critical accounting policies that affect the preparation of our Consolidated Financial Statements:

- going concern evaluations;
- revenue recognition;
- asset impairments, including broadcasting licenses, goodwill and other indefinite-lived intangible assets;
- probabilities associated with the potential for contingentearn-out consideration;
- fair value measurements;
- contingency reserves;
- allowance for doubtful accounts;
- sales returns and allowances;
- barter transactions;
- inventory reserves;
- reserves for royalty advances;
- fair value of equity awards;
- self-insurance reserves;
- estimated lives for tangible and intangible assets;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting Right-Of-Use (“ROU”) assets and lease liabilities;
- determining the Incremental Borrowing Rate (“IBR”) for calculating ROU assets and lease liabilities;
- income tax valuation allowances; and
- uncertain tax positions.

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.

The COVID-19 pandemic continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could materially impact our estimates related to, but not limited to, revenue recognition, broadcast licenses, goodwill and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

We believe the following accounting policies and the related judgments and estimates are critical accounting policies that affect the preparation of our Consolidated Financial Statements.

Going Concern

Management is responsible for evaluating conditions or events as related to uncertainties that raise substantial doubt about our ability to continue as a going concern and to provide related footnote disclosures, as applicable. Management's estimates and assumptions, used in the evaluation of our ability to meet our obligations as they become due within one year after the date our financial statements are issued, are based on the facts and circumstances at such date and are subject to a material and high level of subjectivity and uncertainty due to the matters themselves being uncertain and subject to modification. The effect of any individual or aggregate changes in the estimates and assumptions, or the facts and circumstances, could be material to the financial statements.

Given the decreases in revenue caused by the COVID-19 pandemic, we assessed a variety of factors, including media industry forecasts, expected operating results, forecasted net cash flows from operations, future obligations and liquidity, and capital expenditure commitments. We concluded that the potential that we could incur a considerable decrease in operating income and the resulting impact on our ability to fund interest payments on our debt, were probable conditions which gave rise to a need for an assessment of whether substantial doubt existed of our ability to continue as a going concern.

We reforecast our anticipated results extending through March 2022. Our reforecast includes the impact of certain cost-cutting measures associated with reductions in staffing, reductions in commissions and royalty expenses based on lower revenue forecasts, reductions in travel and entertainment expenses due to stay-at-home mandates, reductions in event costs, company-wide pay cuts, furloughs of certain employees, and the temporary suspension of the company 401(k) match. Based on our current assessment, we believe that we have the ability to meet our obligations as they come due for one year from the issuance of the financial statements.

Revenue Recognition

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. Under 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.

A growing source of revenue is generated from digital product offerings, which allow for enhanced audience interaction and participation, and integrated digital advertising solutions. When offering digital products, another party may be involved in providing the goods or services that make up a performance obligation to the customer. These include the use of third-party websites for social media campaigns. We must evaluate if we are the principal or agent in order to determine if revenue should be reported gross as principal or net as agent. In this evaluation, we consider if we obtain control of the specified goods or services before they are transferred to our customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price. The determination of whether we control a specified good or service immediately prior to the good or service being transferred requires us to make reasonable judgments on the nature of each agreement. We have determined that we are acting as principal when we manage all aspects of a social media campaign, including reviewing and approving target audiences, monitoring actual results and making modifications as needed and when we are responsible for delivering campaign results to our customers regardless of the use of a third-party or parties.

Trade and Barter Transactions

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

Indefinite-Lived Intangible Assets

Approximately 65% of our total assets at December 31, 2020 consisted of indefinite-lived intangible assets including broadcast licenses and goodwill. These indefinite-lived intangible assets originated from acquisitions in which a significant amount of the purchase price was allocated to broadcast licenses and goodwill. We do not amortize indefinite-lived intangible assets, 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.

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 Note 13 of our Financial Statements and Supplementary Data.

The first step of our impairment testing is to perform a qualitative assessment as to whether it is more likely than not that an indefinite-lived intangible asset is impaired. This qualitative assessment requires significant judgment when considering the events and circumstances that may affect the estimated fair value of our indefinite-lived intangible assets. These events and circumstances are not all-inclusive and are not by themselves indicators of impairment. We consider external and internal factors when reviewing the following events and circumstances, which are presented in the order of what we believe to be the strongest to weakest indicators of impairment:

(1) the difference between any recent fair value calculations and the carrying value;

(2) financial performance, such as station operating income, including performance as compared to projected results used in prior estimates of fair value;

(3) macroeconomic economic conditions, including limitations on accessing capital that could affect the discount rates used in prior estimates of fair value;

(4) industry and market considerations such as a decline in market-dependent multiples or metrics, a change in demand, competition, or other economic factors;

(5) operating cost factors, such as increases in labor, that could have a negative effect on future expected earnings and cash flows;

(6) legal, regulatory, contractual, political, business, or other factors;

(7) other relevant entity-specific events such as changes in management or customers; and

(8) any changes to the carrying amount of the indefinite-lived intangible asset.

If it is more likely than not that an impairment exists, we are required to perform a second step to preparing a quantitative analysis to estimate the fair or enterprise value of the assets. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: limited trading volume, the impact of our publishing segment operating losses and the significant voting control of our Chairman and Chief Executive Officer. We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value as part of our quantitative review.

If the results of our quantitative analysis indicate that the fair value of a reporting unit is less than the carrying value, an impairment is recorded equal to the amount by which the carrying value exceeds the estimated fair value.

We believe we have made reasonable estimates and assumptions to calculate the estimated fair value of our indefinite-lived intangible assets, however, these estimates and assumptions are highly judgmental in nature. Actual results can be materially different from estimates and assumptions. If actual market conditions are less favorable than those projected by the industry or by us, or if events occur or circumstances change that would reduce the estimated fair value of our indefinite-lived intangible assets below the amounts reflected on our balance sheet, we may recognize future impairment charges, the amount of which may be material.

Sensitivity of Indefinite-Lived Intangible Assets

When estimating the fair value of broadcast licenses and goodwill, we make assumptions regarding future revenue growth rates, operating cash flow margins and discount rates. These assumptions require substantial judgment that may differ materially from actual results. The following sensitivity analysis shows the incremental impact and the hypothetical non-cash impairment charge that would have result if our estimates were to change by 100 basis points as of the annual testing period in the fourth quarter of 2020:

	Sensitivity Analysis (1)		
	Increase in Risk-Adjusted Discount Rate	Decrease in Operating Profit Margins	Decrease in Long-Term Revenue Growth Rates
		(Dollars in thousands)	
Incremental broadcast licenses impairment	$ 13,302	$ —	$ 4,132
Incremental goodwill impairment	862	648	317

(1) Each assumption used in the sensitivity analysis is independent of the other assumptions.

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. The same discount rate was used in each of our broadcast markets. The discount rate applied to our digital media and publishing entities was higher given the perceived additional risks associated with the cash flows of these businesses.

Operating profit margin is defined as operating income before interest, depreciation, amortization, income tax and corporate allocation charges divided by net revenue. For the fair value analysis, the projections of operating profit margin that are used are based upon industry expectations. These margin projections are not specific to the performance of our radio stations or segments in a market but are predicated on the expectation that a new entrant into the market could reasonably be expected to perform at a level similar to a typical competitor. If actual future margins are lower than our estimates, we may recognize future impairment charges, the amount of which may be material.

For the goodwill fair value analysis, the projections of operating margin for each broadcast market and each entity are based on our historical performance. If the future outlook for the broadcast, digital or publishing industry growth declines by more than our estimates, we may recognize future impairment charges, the amount of which may be material.

Long-term revenue growth rates are determined from publicly available information on industry expectations rather than our own estimates, which could differ. Long-term revenue growth rates can vary for each of our broadcast markets. Using industry expectations, each broadcast market, digital and publishing entity's revenue was forecasted over a ten-year projection period to reflect the projected long-term growth rate. If the future outlook for the broadcast, digital or publishing industry growth declines by more than our estimates, we may recognize future impairment charges, the amount of which may be material.

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. Estimates of the fair value include discounted estimated cash flows to be generated by the assets and their expected useful lives based on historical experience, market trends and any synergies believed to be achieved from the acquisition. The excess of consideration paid over the estimated fair values of the net assets acquired is recorded as goodwill and any excess of fair value of the net assets acquired over the consideration paid is recorded as a gain on bargain purchase. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued.

Acquisitions may include contingent earn-out consideration, the fair value of which is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the payment amounts.

A majority of our radio station acquisitions have consisted primarily of the FCC licenses to broadcast in a particular market. We often do not acquire the existing format, or we change the format upon acquisition when we find it beneficial. As a result, a substantial portion of the purchase price for the assets of a radio station is allocated to the broadcast license. Under ASU 2017-01, a fewer number of our radio station acquisitions qualify as business acquisitions and instead are accounted for 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.

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 asset categories in our financial statements. 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 the purchase price allocations represent the appropriate estimated fair value of the assets acquired and we have not had to modify our purchase price allocations.

We estimate the economic life of each tangible and intangible asset acquired to determine the period of time in which the asset should be depreciated or amortized. A considerable amount of judgment is required in assessing the economic life of each asset. We consider our own experience with similar assets, industry trends, market conditions and the age of the property at the time of our acquisition to estimate the economic life of each asset. If the financial condition of the assets were to deteriorate, the resulting change in life or impairment of the asset could cause a material impact and volatility in our operating results. To date, we have not experienced changes in the economic life established for each major category of our assets.

Contingent Earn-Out Consideration

Our acquisitions often include contingent earn-out consideration as part of the purchase price. The fair value of the contingent earn-out consideration is estimated as of the acquisition date based on 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 measurements include inputs that are Level 3 measurement as discussed in Note 13 in the notes of our Consolidated Financial Statements contained in Item 8 in this annual report.

We review the probabilities of possible future payments to the estimated 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 increase or decrease as compared to the assumption used in our analysis, the fair value of the contingent earn-out consideration obligations will increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of the contingent earn-out consideration could cause a material impact and volatility in our operating results. The changes in our estimates reflect volatility from variables, such as revenue growth, page views and session time

We believe that we have used reasonable estimates and assumptions to calculate the estimated fair value of contingent earn-out consideration however, these estimates and assumptions are highly judgmental in nature. Actual results can be materially different from estimates and assumptions.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* established a single definition of fair value in generally accepted accounting principles and requires expanded disclosure requirements about fair value measurements. The provision applies to other accounting pronouncements that require or permit fair value measurements. This includes applying the fair value concept to (i) nonfinancial assets and liabilities initially measured at fair value in business combinations; (ii) reporting units or nonfinancial assets and liabilities measured at fair value in conjunction with goodwill impairment testing; (iii) other nonfinancial assets measured at fair value in conjunction with impairment assessments; and (iv) asset retirement obligations initially measured at fair value.

The fair value provisions include guidance on how to estimate the fair value of assets and liabilities in the current economic environment and reemphasize that the objective of a fair value measurement remains an exit price. If we were to conclude that there has been a significant decrease in the volume and level of activity of the asset or liability in relation to normal market activities, quoted market values may not be representative of fair value and we may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market, and the characteristics specific to the transaction. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less (or no) pricing observability and a higher degree of judgment utilized in measuring fair value.

FASB ASC Topic 820 established a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defined three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the FASB ASC Topic 820 hierarchy are as follows:

- Level 1 Inputs—quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 Inputs—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability; and
- Level 3 Inputs—unobservable inputs for the asset or liability. These unobservable inputs reflect the entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances (which might include the reporting entity’s own data).

We believe that we have used reasonable estimates and assumptions to calculate the estimated fair value of our financial assets as discussed in Note 13 in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report.

Contingency Reserves

In the ordinary course of business, we are involved in various legal proceedings, lawsuits, arbitration and other claims that 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. Certain of these proceedings are discussed in Note 15, Commitments and Contingencies, contained in our Consolidated Financial Statements.

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.

Allowance for Doubtful Accounts

We evaluate the balance reserved in our allowance for doubtful accounts on a quarterly basis based on our historical collection experience, the age of the receivables, specific customer information and current economic conditions. We increased our reserve percentages during 2020 based on the adverse economic conditions resulting from the COVID-19 pandemic and the expected impact on the ability of our customers to make payments. Past due balances are generally not written-off until all collection efforts have been unsuccessful, 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.

Sales Returns and Allowances

We provide for estimated returns for products sold with the right of return, primarily book sales associated with Regnery® Publishing and nutritional products sold through our wellness division. We record an estimate of these product returns as a reduction of revenue in the period of the sale. Our estimates are based upon historical sales returns, the amount of current period sales, economic trends and any changes in customer demand and acceptance of our products. We regularly monitor actual performance to estimated return rates and make adjustments as necessary. Estimated return rates utilized for establishing estimated returns reserves have approximated actual returns experience. However, actual returns may differ significantly, either favorably or unfavorably, from these estimates if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. 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.

Inventory Reserves

Inventories consist of published books from Regnery® Publishing. Inventory is recorded at the lower of cost or net realizable value as determined on a First-In First-Out cost method. We review historical data and our own experiences to estimate the fair value of inventory on hand. Our analysis includes reviewing actual sales returns, allowance estimates, royalty reserves, overall economic conditions and demand for each title. We record a provision to expense the balance of unsold inventory that we believe to be unrecoverable. We regularly monitor actual performance to our estimates and make adjustments as necessary. Estimated inventory reserves may be adjusted, either favorably or unfavorably, if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. 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.

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 sales of the book. We apply this historical experience to outstanding royalty advances to estimate the likelihood of recovery. A provision is 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.

Fair Value of Equity Awards

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 each award using the Black-Scholes valuation model that requires the input of highly subjective assumptions, including the expected stock price volatility and the expected term of the award granted. The exercise price for each award is equal to or greater than the closing market price of Salem Media Group, Inc. common stock as of the date of the award. 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 the award, deferred tax assets for 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. We have not modified our estimates or assumptions used in our valuation model. We believe that our estimates and assumptions are reasonable and that our stock-based compensation is accurately reflected in our results of operations.

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. Our self-insurance liability was $0.5 million and $0.6 million at December 31, 2020 and December 31, 2019, respectively. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates.

Leases

We account for leases under the provisions of FASB ASC Topic 842, "*Leases*" ("ASC 842"). We consider all relevant facts and circumstances to determine whether a contract is or contains a lease at inception. Our analysis includes whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This consideration involves judgment with respect to whether we have the right to obtain substantially all of the economic benefits from the use of the identified asset and whether we have the right to direct the use of the identified asset.

Lease Term – Impact on Right-of-Use Assets and Lease Liabilities

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 ASC 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. These factors, detailed below, are evaluated based on the facts and circumstances at the time we enter a lease agreement.

Contract-Based Factors:

- The existence of a bargain renewal option
- The existence of contingent or variable payments
- The nature and terms of renewal or termination options
- The costs the lessee would incur to restore the asset before returning it to the lessor

Asset-Based Factors:

- The existence of significant lessee-installed leasehold improvements that would still have economic value when the option becomes exercisable
- The physical location of the asset
- The costs that would be incurred to replace or find an alternative asset

Entity-Based Factors:

- Historical practice
- Management's intent
- Common industry practice
- The financial impact on the entity of extending or terminating the lease
- The importance of the leased asset to the entity's operations

Market-Based Factors:

- Market rental or purchase rates for comparable assets
- Potential implications of local regulations and statutory requirements

We have not modified our estimate methodology since adopting ASC 842 on January 1, 2019.

Incremental Borrowing Rate

ROU assets and related lease liabilities recorded under ASC 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 Incremental Borrowing Rate ("IBR"). IBR is 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 following available evidence:

The credit history of Salem Media Group

Our most recent credit facility consists of 6.75% Senior Secured Notes and a revolving ABL Facility. As of each month end, the weighted average interest rate on outstanding debt is calculated.

The credit worthiness of Salem Media Group

We review our credit ratings from third parties, including Standard & Poor's and Moody's. Both ratings were downgraded during 2020 to poor quality with very high credit risk.

Class of the underlying asset and the remaining term of the arrangement

We use a portfolio approach applying a single IBR to all leases with reasonably similar characteristics, including the remaining lease term, the underlying assets and the economic environment. We group leases according to the nature of leased asset and the lease term. We have six main categories of leases, (1) Buildings, (2) Equipment, (3) Land, (4) Other (Parking Facilities), (5) Towers and (6) Vehicles.

We consider vehicles to have a higher risk for collateral that is mitigated by the shorter term of the lease that would typically range from three to five years. We consider building and towers to have a higher risk based on (1) the longer lease term of up to thirty years and (2) a higher outstanding balance that is mitigated by the lower risk that the collateralized asset would lose significant value.

The debt incurred under the lease liability as compared to amounts that would be borrowed

We review the cost to finance comparable amounts under our ABL Facility and based on the current market environment as derived from available economic data.

We referred to the Bloomberg Single B Rated Communications Yield Curve (unsecured) and considered adjustments for industry risk factors and the estimated value of the underlying leased asset to be collateral for the debt incurred.

From these data points, we develop a matrix to estimate the IBR for each lease class. We review the IBR estimates on a quarterly basis and update as necessary. We have not modified our estimate methodology and we have not recognized significant changes in our estimates.

Impairment of ROU Assets

ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, Property, Plant, and Equipment consistent with other long-lived nonfinancial assets. ROU assets are reviewed for impairment when indicators of impairment are present.

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

After a careful analysis of the guidance, we concluded that the appropriate unit of accounting for testing ROU assets for impairment is the broadcast market cluster level for radio station operations and the entity or division level for digital media entities, publishing entities and networks. Corporate ROU assets are tested on a consolidated level with consideration given to all cash flows of the company as corporate functions do not generate cash flows and are funded by revenue-producing activities at lower levels of the entity.

ASC 360 requires three steps to identify, recognize and measure the impairment of a long-lived asset (asset group) to be held and used:

Step 1—Consider whether Indicators of Impairment are Present

As detailed in ASC360-10-35-21, the following are examples of impairment indicators:

- A significant decrease in the market price of a long-lived asset (asset group)

- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

Other indicators should be considered if we believe that the carrying amount of an asset (asset group) may not be recoverable.

Step 2—Test for Recoverability

If indicators of impairment are present, we are required to perform a recoverability test comparing the sum of the estimated undiscounted cash flows attributable to the long-lived asset or asset group in question to the carrying amount of the long-lived asset or asset group.

ASC 360 does not specifically address how operating lease liabilities and future cash outflows for lease payments should be considered in the recoverability test. Under ASC 360, financial liabilities, or long-term debt, generally are excluded from an asset group while operating liabilities, such as accounts payable, generally are included. ASC 842 characterizes operating lease liabilities as operating liabilities. Because operating lease liabilities may be viewed as having attributes of finance liabilities as well as operating liabilities, it is generally acceptable for a lessee to either include or exclude operating lease liabilities from an asset group when testing whether the carrying amount of an asset group is recoverable provided the approach is applied consistently for all operating leases and when performing Steps 2 and 3 of the impairment model in ASC 360.

In cases where we have received lease incentives, including operating lease liabilities in an asset group may result in the long-lived asset or asset group having a zero or negative carrying amount because the incentives reduce our ROU assets. We elected to exclude operating lease liabilities from the carrying amount of the asset group such that we test ROU assets for operating leases in the same manner that we test ROU assets for financing leases.

Undiscounted Future Cash Flows

The undiscounted future cash flows in Step 2 are based on our own assumptions rather than a market participant. If an election is made to exclude operating lease liabilities from the asset or asset group, all future cash lease payments for the lease should also be excluded. The standard requires lessees to exclude certain variable lease payments from lease payments and, therefore, from the measurement of a lessee’s lease liabilities. Because these variable payments do not reduce the lease liability, we include the variable payments we expect to make in our estimate of the undiscounted cash flows in the recoverability test (Step 2) using a probability-weighted approach.

Step 3—Measurement of an Impairment Loss

If the undiscounted cash flows used in the recoverability test are less than the carrying amount of the long-lived asset (asset group), we are required to estimate the fair value of the long-lived asset or asset group and recognize an impairment loss when the carrying amount of the long-lived asset or asset group exceeds the estimated fair value. We elected to exclude operating lease liabilities from the estimated fair value, consistent with the recoverability test. Any impairment loss for an asset group must reduce only the carrying amounts of a long-lived asset or assets of the group, including the ROU assets. The loss must be allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group must not reduce the carrying amount of that asset below its fair value whenever the fair value is determinable without undue cost and effort. ASC 360 prohibits the subsequent reversal of an impairment loss for an asset held and used.

Fair Value Considerations

When determining the fair value of a ROU asset, we must estimate what market participants would pay to lease the asset or what a market participant would pay up front in one payment for the ROU asset, assuming no additional lease payments would be due. The ROU asset must be valued assuming its highest and best use, in its current form, even if that use differs from the current or intended use. If no market exists for an asset in its current form, but there is a market for a transformed asset, the costs to transform the asset are considered in the fair value estimate. Refer to Note 13, Fair Value Measurements.

There were no indications of impairment during the period ended December 31, 2020.

Income Tax Valuation Allowances (Deferred Taxes)

In preparing our condensed 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. Our judgments, assumptions and estimates relative to the current provision for income tax consider current tax laws, our interpretation of current tax laws and possible outcomes of audits conducted by tax authorities. Reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities are established if necessary. Although we believe our judgments, assumptions and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

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.

As a result of our adjusted cumulative three-yearpre-tax book loss as of December 31, 2020, we performed quarterly assessments of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The economic uncertainty from the

COVID-19 pandemic provided additional negative evidence that outweighed positive evidence resulting in our conclusion that additional deferred tax assets of $35.1 million related to federal and state net operating loss carryforwards are more likely than not to be not realized. As such, an additional valuation allowance of $35.1 million was recorded, for a total valuation allowance of $48.1 million as of the year ended December 31, 2020.

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, 2019, we recognized liabilities associated with uncertain tax positions around 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 $0.3 million including interest and penalties. Our evaluation was performed for all tax years that remain subject to examination, which range from 2016 through 2019.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are operating cash flows, borrowings under credit facilities and proceeds from the sale of selected assets or businesses. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset dispositions. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings.

In March 2020, the World Health Organization declared the outbreak ofCOVID-19 a global pandemic. We experienced declining revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spend due to the outbreak and stay-at-home orders that effectively shut many businesses down. This was particularly true within our broadcast segment, which derives substantial revenue from local advertisers who have been particularly hard hit due to social distancing and government interventions and in our publishing segment that sells books in retail stores and through live events.

Future availability under our credit facility is contingent upon our eligible receivable balance, which is negatively impacted by lower revenue and longer days to collect. Availability under our ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The maximum amount available under our ABL Facility declined to $24.2 million at December 31, 2020 from $26.4 million at December 31, 2019, of which $5.0 million was outstanding at December 31, 2020 compared to $12.4 million outstanding at December 31, 2019.

In response to these developments, beginning in March 2020, we implemented several measures to reduce costs and conserve cash to ensure that we have adequate cash to meet our debt servicing requirements, including:

- limiting capital expenditures;
- reducing discretionary spending, including travel and entertainment;
- eliminating open positions and freezing new hires;
- reducing staffing levels;
- implementing temporary company-wide pay cuts of 5%, 7.5% or 10% depending on salary level;
- furloughing certain employees;
- temporarily suspending the company 401(k) match;
- requesting rent concessions from landlords;
- requesting discounts from vendors;
- offering early payment discounts to certain customers in exchange for advance cash payments; and
- suspending the payment of distributions on our common stock indefinitely.

We have utilized certain benefits of the CARES Act, and we may be entitled to benefits under the CAA based on our individual locations, including:

- the deferral of all employer FICA taxes beginning in April 2020 for the remainder of 2020, with 50% payable in December 2021 and the remainder payable in December 2022;
- relaxation of interest expense deduction limitation for income tax purposes; and
- Payroll Protection Plan (“PPP”) loans available based on the eligibility determined on aper-location basis of up to $11.2 million on a consolidated basis.

Due to the adverse economic impact, we reforecast our anticipated results extending through March 2022. Our reforecast includes the impact of certain of these cost-cutting measures. Based on our current and expected economic outlook and our current and expected funding needs, we believe that the borrowing capacity under our current credit facilities, together with cash on hand, allows us to meet our ongoing operating requirements, fund necessary capital expenditures and satisfy our debt service requirements for at least the next twelve months, including the working capital deficit at December 31, 2020. Based on our current assessment, we believe that we have the ability to meet our obligations as they come due for one year from the issuance of this annual report.

During 2020 we began to keep higher balances of cash and cash equivalentson-hand to meet operating needs due to the adverse economic conditions of the COVID-19 pandemic. Historically, we keep the balance of cash and cash equivalents low in order to reduce the balance of outstanding debt. Our ABL Facility automatically covers any shortfalls in operating cash flows such that we are not required to hold excess cash balances on hand. Our cash and cash equivalents increased to $6.3 million at December 31, 2020 as compared to $6,000 at December 31, 2019. Working capital increased $6.3 million to $(5.1) million at December 31, 2020 compared to ($11.4 million) at December 31, 2019 due to the $6.3 million increase in cash and cash equivalents, a $3.2 million increase in assets held for sale and a $7.4 million decrease in the outstanding balance on the ABL Facility, that was partially offset by a decrease in trade accounts receivable of $6.4 million, an increase in contract liabilities of $2.2 million.

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. The adverse economic impact of the COVID-19 pandemic has negatively impacted our revenue and cash receipts from customers. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, and vendor payments under facility and tower leases, talent agreements, inventory purchases and recurring services such as utilities and music license fees. Our operating cash flows are subject to factors such as fluctuations in preferred advertising media and changes in demand caused by shifts in population, station listenership, demographics, and audience tastes. In addition, our operating cash flows may be affected if our customers are unable to pay, delay payment of amounts owed to us, or if we experience reductions in revenue, or increases in costs and expenses.

Net cash provided by operating activities increased by $5.8 million during the year ended December 31, 2020 to $22.8 million from $17.0 million during the prior year. The increase in cash provided by operating activities includes the impact of the following items:

- Trade accounts receivables, net of allowances, decreased by $6.4 million compared to a decrease of $2.2 million for the prior year;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingentearn-out consideration, impairments and net gain (loss) on the disposition of assets, decreased by $6.6 million;
- Unbilled revenue increased $0.2 million;
- Our Day’s Sales Outstanding, or the average number of days to collect cash from the date of sale, decreased to 59 days at December 31, 2020 from 60 days in the same period of the prior year;
- We deferred cash payments of $3.3 million for the employer portion of FICA taxes as allowed under the CARES Act with 50% due December 2021 and the remaining 50% due December 2022; and
- We reduced cash paid for rent by $1.0 million of which $0.3 million was abated and $0.7 million was deferred overpay-back periods ranging from one-month in 2020 to forty-four months through December 2024.

Investing Cash Flows

Our primary source of investing cash inflows includes proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property and equipment and to acquire intangible assets such as domain names. While our focus continues to be on deleveraging, we remain committed to explore and pursue strategic acquisitions.

In recent years, we entered acquisition agreements that contain contingentearn-out arrangements that are payable in the future based on the achievement of predefined operating results. We believe that these contingent earn-out arrangements provide some degree of protection with regard to our cash outflows should these acquisitions not meet our operational expectations.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital andweb-based offerings, improve our facilities and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $11.6 million during 2021. As noted, we are currently limiting capital expenditures to emergency-only type expenses.

We plan to fund any future purchases and any future acquisitions from cash on hand, operating cash flow or our credit facilities.

Net cash used in investing activities was $2.9 million during the year ended December 31, 2020 compared to net cash provided by investing activities of $10.9 million during the prior year. The $13.8 million decrease in cash used in investing activities was the result of:

- Proceeds from the sale of assets decreased $20.5 million to $0.2 million for the year ended December 31, 2020 compared to $20.7 million of cash during same period of the prior year;
- Proceeds of $2.4 million were received from surrendering split-dollar life insurance policies;
- Cash paid for capital expenditures decreased $3.2 million to $4.6 million from $7.8 million during the same period of the prior year; and
- Cash paid for acquisitions decreased $0.9 million to $0.4 million compared to $1.3 million during the same period of the prior year.

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 distributions on our common stock and payments of amounts due under deferred installments and contingency earn-out consideration associated with acquisition activity.

During the year ended December 31, 2020, the aggregate principal balances outstanding under the Notes and ABL Facility ranged from $221.3 million to $235.4 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Our sole source of cash available for making any future distributions on our common stock is our operating cash flow, subject to our credit facilities and Notes, which contain covenants that restrict the payment of dividends and distributions to our equity holders unless certain specified conditions are satisfied. On May 6, 2020 our Board voted to discontinue distributions on our common stock indefinitely due to the adverse economic impact of the COVID-19 pandemic on our financial position, results of operations, and cash flows.

Net cash used in financing activities during the year ended December 31, 2020 decreased $14.4 million to $13.6 million compared to $28.0 million during the prior year. The decrease in cash used for financing activities includes:

- A $5.1 million decrease in cash distributions on common stock to $0.7 million from $5.8 million,
- Net payments on our ABL Facility were $7.4 million during the year ended December 31, 2020 compared to net payments of $7.2 million during the prior year; and
- We used $3.4 million of cash to repurchase $3.5 million in face value of the 6.75% Senior Secured Notes compared to $16.8 million of cash to repurchase $18.7 million during the prior year.

6.75% Senior Secured Notes

On May 19, 2017, we issued the Notes in a private placement. The Notes are guaranteed on a senior secured basis by our existing subsidiaries (the “Subsidiary Guarantors”). The Notes bear interest at a rate of 6.75% per year and mature on June 1, 2024, unless they are earlier redeemed or repurchased. Interest initially accrued on the Notes from May 19, 2017 and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2017.

The 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) (the “Notes Priority Collateral”). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Notes were redeemable, in whole or in part, at any time on or before June 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a "make-whole" premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2020, the Notes are redeemable at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date.

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

The Indenture provides for the following events of default (each, an "Event of Default"): (i) default in payment of principal or premium on the Notes at maturity, upon repurchase, acceleration, optional redemption or otherwise; (ii) default for 30 days in payment of interest on the Notes; (iii) the failure by us or certain restricted subsidiaries to comply with other agreements in the Indenture or the Notes, in certain cases subject to notice and lapse of time; (iv) the failure of any guarantee by certain significant Subsidiary Guarantors to be in full force and effect and enforceable in accordance with its terms, subject to notice and lapse of time; (v) certain accelerations (including failure to pay within any grace period) of other indebtedness of ours or any restricted subsidiary if the amount accelerated (or so unpaid) is at least $15 million; (vi) certain judgments for the payment of money in excess of $15 million; (vii) certain events of bankruptcy or insolvency with respect to us or any significant subsidiary; and (viii) certain defaults with respect to any collateral having a fair market value in excess of $15 million. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of the Notes and any accrued interest on the Notes to be due and payable immediately, subject to remedy or cure in certain cases. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under the Indenture.

Based on the balance of the Notes currently outstanding, we are required to pay $14.6 million per year in interest on the Notes. As of December 31, 2020, accrued interest on the Notes was $1.2 million.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the debt proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the years ended December 31, 2020 and 2019, $0.7 million and $0.9 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

Based on the then existing market conditions, we completed repurchases of our 6.75% Senior Secured Notes at amounts less than face value as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain
			(Dollars in thousands)		
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
	$ 38,659	$ 35,586		$ 706	$ 2,367

Asset-Based Revolving Credit Facility

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

The ABL Facility is a five-year $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings.

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

On April 7, 2020, we entered into a third amendment to ABL Facility that increased the advance rate on eligible accounts receivable from 85% to 90% and extended the maturity date from May 19, 2022 to March 1, 2024. The

April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued at the end of calendar year 2021.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of December 31, 2020, the amount available under the ABL Facility was $24.2 million of which $5.0 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the "ABL Facility Priority Collateral") and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict our ability and the ability of our subsidiaries (i) to incur additional indebtedness; (ii) to make investments; (iii) to make distributions, loans or transfers of assets; (iv) to enter into, create, incur, assume or suffer to exist any liens, (v) to sell assets; (vi) to enter into transactions with affiliates; (vii) to merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) to prepay indebtedness; and (ix) to pay dividends.

The Credit Agreement provides for the following events of default: (i) default for non-payment of any principal or letter of credit reimbursement when due or any interest, fees or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

We incurred debt issue costs of $0.9 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During each of the years ended December 31, 2020 and 2019, $0.2 million of debt issuance costs associated with the ABL Facility was amortized to interest expense. At December 31, 2020, the blended interest rate on amounts outstanding under the ABL Facility was 2.5%.

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. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under the Credit Agreement.

Summary of long-term debt obligations

Long-term debt consisted of the following:

	As of December 31,	
	2019	**2020**
	(Dollars in thousands)	
6.75% Senior Secured Notes	$219,836	**$216,341**
Less unamortized debt issuance costs based on imputed interest rate of 7.08%	(3,368)	**(2,577)**
6.75% Senior Secured Notes net carrying value	216,468	**213,764**
Asset-Based Revolving Credit Facility principal outstanding	12,426	**5,000**
Long-term debt less unamortized debt issuance costs	228,894	**218,764**
Less current portion	(12,426)	**(5,000)**
Long-term debt less unamortized debt issuance costs, net of current portion	$216,468	**$213,764**

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of December 31, 2020:

- $5.0 million under the ABL Facility, with interest spread ranging from Base Rate plus 0.50% to 1.00% for base rate borrowings and LIBOR plus 1.50% to 2.00% for LIBOR borrowings;
- $216.3 million aggregate principal amount of Notes with semi-annual interest payments at an annual rate of 6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2020 for each of the next five years and thereafter are as follows:

For the Year Ended December 31,	Amount (Dollars in thousands)
2021	$ 5,000
2022	—
2023	—
2024	216,341
2025	—
Thereafter	—
	$ 221,341

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

We have incurred impairment losses associated with goodwill and indefinite lived assets, including broadcast licenses and mastheads. These impairment losses were attributable to declines in the projected long-term revenue growth rates for the broadcast, digital and publishing industries. The long-term revenue growth rates are specific for each market and ranged from 0.5%—1.2% as of the 2018 testing period to a range of 0.7%—1.1% as of the 2019 testing period resulting in a decline in operating profit margins from 4.4%—34.5% in 2018 to 4.0%—33.8% in 2019. Long-term revenue growth rates for digital media entities were 1.0% during the 2018 annual testing to a range of 0.5%—1.0% as of the 2019 testing period while publishing long-term revenue growth rates were 1.0% during the 2018 annual testing period to 0.5% during the 2019 testing period. Declines in excess of these amounts and/or failure to achieve the anticipated growth rates may result in future impairment losses, the amount of which may be material.

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. If actual future results are not consistent with the assumptions and estimates used, we may be exposed to impairment charges in the future, the amount of which may be material. The fair value measurements for our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. 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 of our Consolidated Financial Statements under Item 8 of this annual report. If actual future results are not consistent with the assumptions and estimates used, we may be exposed to impairment charges in the future, the amount of which may be material. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective market clusters and reporting units.

While the impairment charges we have recognized are non-cash in nature and have not violated any debt covenants, the potential for future impairment charges can be viewed as a negative factor with regard to forecasted future performance and cash flows. We believe that we have adequately considered the potential for an economic downturn in our valuation models and do not believe that the non-cash impairments in and of themselves are a liquidity risk.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2020 and 2019, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

CONTRACTUAL OBLIGATIONS

Not required for smaller reporting companies.

ITEM 7A.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Salem Media Group, Inc. (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Broadcast License Impairment

As disclosed in Note 8 to the consolidated financial statements, the Company’s consolidated broadcast license balance was $319.8 million as of December 31, 2020. During the year ended December 31, 2020, the Company recorded impairment on broadcast licenses of $17.0 million. Management performs an annual impairment test during the fourth quarter of each year, which includes a qualitative assessment of whether it is more likely than not that a broadcast license is impaired. This qualitative assessment requires significant judgment when considering the market conditions, events and circumstances that may affect the estimated fair value of broadcast licenses. If there are changes in market conditions, events, or other circumstances that occur during the interim periods that indicate the carrying value of its broadcast licenses may be impaired, management determines whether an interim test is necessary. Broadcast licenses are assessed for recoverability at the market cluster level. Potential impairment is identified by comparing the fair value of a market cluster's broadcast licenses to the carrying value. Fair value is estimated by management using the Greenfield method, which is a form of the income approach, assuming a start-up scenario in which the only assets held by an investor are broadcasting licenses. Management's cash flow projections for its broadcast licenses included significant judgments and assumptions relating to the market share and profit margin of an average station within a market based upon market size and station type, the forecasted growth rate of each radio market (including long-term growth rate), and the discount rate.

We considered auditing broadcast license impairment to be a critical audit matter because it involved a high degree of subjectivity in evaluating management's estimates, judgments and assumptions, significant audit effort due to complexity in the aggregation and evaluation of significant amounts of data, and the use of valuation specialists.

Our audit procedures related to broadcast license impairment included the following:

- evaluated management's judgments in their assessment of identifying changes in market conditions, events or other circumstances that indicate an impairment of broadcast licenses may be present;
- tested the completeness, accuracy, appropriateness of aggregation and relevance of underlying data used in the valuation model based on Greenfield method;
- evaluated the significant assumptions used by management, including normalized market share and profit margin of an average station within a market based upon market size and station type, the forecasted growth rate of each radio market (including long-term growth rate), and the discount rate.   This involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance in the market being evaluated, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- utilized valuation specialists to assist in evaluating the appropriateness of valuation model used, evaluating certain assumptions applied in the valuation model, and recalculations of the discounted cash flow schedules.

Realizability of Deferred Tax Assets

As disclosed in Note 14 of the consolidated financial statements, at December 31, 2020, the Company had gross deferred tax assets on deductible temporary differences and carryforwards of $76.9 million reduced by a valuation allowance of $48.1 million. Deferred tax assets must be reduced by a valuation allowance if, based upon the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Management considered 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. Such assessment involves a significant level of judgment and estimation, including complexity in the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The valuation allowance primarily related to federal and state net operating loss carryforwards that are more likely than not to not be realized.

We considered auditing the realizability of deferred tax assets to be a critical audit matter because it involved a high degree of subjectivity and audit effort in evaluating management's estimates and judgments as well as complexity in the scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income due to uncertainty from the COVID-19 pandemic. Management's judgments included assessing that all available positive and negative evidence and ongoing prudent and feasible tax planning strategies are analyzed to determine whether a deferred tax asset or a portion thereof is "more likely than not" to be realized. Our audit of the realizability of deferred tax assets also included the assistance of tax specialists.

Our audit procedures related to realizability of deferred tax assets included the following:

- evaluated management's judgments over positive and negative evidence related to the likelihood of realization of deferred tax assets, which included cumulative losses in recent years, scheduled reversals of deferred tax liabilities, availability of carryforwards, industry wide declining revenue from reductions in advertising spend due to the COVID-19 pandemic, and prudent and feasible tax planning strategies;
- evaluated management's judgment of the uncertainty from the COVID-19 pandemic and its impact, based on current and forecasted industry and economic trends, on future earnings and verified the information used was consistent with evidence obtained in other areas of the audit;
- utilized tax specialists to evaluate the application of jurisdictional tax laws and regulations used in the Company's assumptions and calculations and to test the completeness and accuracy of management's scheduled reversals of deferred tax liabilities, apportionment factors and the availability of carryforwards.

/s/ Crowe LLP

We have served as the Company's auditor since 2016.

Sherman Oaks, California
March 4, 2021

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

	December 31, 2019	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6	**$ 6,325**
Trade accounts receivable (net of allowances of $10,947 in 2019 and $14,069 in 2020)	30,824	**24,469**
Unbilled revenue	2,749	**3,192**
Other receivables (net of allowances of $— in 2019 and $124 in 2020)	1,352	**1,122**
Inventories (net of reserves of $1,271 in 2019 and $1,499 in 2020)	717	**495**
Prepaid expenses	5,890	**6,847**
Assets held for sale	185	**3,346**
Total current assets	41,723	**45,796**
Notes receivable (net of allowance of $954 in 2019 and $461 in 2020)	667	**721**
Property and equipment (net of accumulated depreciation of $173,122 in 2019 and $180,336 in 2020)	87,673	**79,122**
Operating lease right-of-use assets	54,550	**48,203**
Financing lease right-of-use assets	180	**152**
Broadcast licenses	337,858	**319,773**
Goodwill	23,998	**23,757**
Other indefinite-lived intangible assets	260	**—**
Amortizable intangible assets (net of accumulated amortization of $55,617 in 2019 and $58,897 in 2020)	7,100	**4,017**
Deferred financing costs	224	**213**
Other assets	4,197	**2,817**
Total assets	$ 558,430	**$ 524,571**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,468	**$ 2,006**
Accrued expenses	9,395	**11,002**
Accrued compensation and related expenses	7,895	**10,242**
Accrued interest	1,262	**1,225**
Contract liabilities	9,493	**11,652**
Deferred rent income	110	**147**
Income taxes payable	531	**563**
Current portion of operating lease liabilities	8,485	**8,963**
Current portion of financing (capital) lease liabilities	69	**60**
Current portion of long-term debt	12,426	**5,000**
Total current liabilities	53,134	**50,860**
Long-term debt, less current portion	216,468	**213,764**
Operating lease liabilities, less current portion	54,050	**47,740**
Financing (capital) lease liabilities, less current portion	124	**107**
Deferred income taxes	38,778	**68,883**
Contract liabilities, long-term	1,744	**1,869**
Deferred rent income, less current portion	3,956	**3,864**
Other long-term liabilities	513	**2,205**
Total liabilities	368,767	**389,292**
Commitments and contingencies (Note 15)		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,447,317 and 21,129,667 issued and outstanding at December 31, 2019 and 2020, respectively	227	**227**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2019 and 2020, respectively	56	**56**
Additional paid-in capital	246,680	**247,025**
Accumulated earnings (deficit)	(23,294)	**(78,023)**
Treasury stock, at cost (2,317,650 shares at December 31, 2019 and 2020)	(34,006)	**(34,006)**
Total stockholders' equity	189,663	**135,279**
Total liabilities and stockholders' equity	$ 558,430	**$ 524,571**

See accompanying notes

Table of Contents

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

	Year Ended December 31, 2019	Year Ended December 31, 2020
Net broadcast revenue	$ 193,339	**$ 178,127**
Net digital media revenue	39,165	**39,593**
Net publishing revenue	21,394	**18,519**
Total net revenue	253,898	**236,239**
Operating expenses:		
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $1,873 and $1.753 for the years ended December 31, 2019 and 2020, respectively, paid to related parties)	149,439	**140,942**
Digital media operating expenses, exclusive of depreciation and amortization shown below	30,801	**31,725**
Publishing operating expenses exclusive of depreciation and amortization shown below	22,348	**21,950**
Unallocated corporate expenses, exclusive of depreciation and amortization shown below (including $135 and $207 for the years ended December 31, 2019 and 2020, respectively, paid to related parties)	15,940	**16,194**
Depreciation	11,297	**10,777**
Amortization	4,637	**3,281**
Change in the estimated fair value of contingent earn-out consideration	(41)	**(12)**
Impairment of indefinite-lived long-term assets other than goodwill	2,925	**17,254**
Impairment of goodwill	2,427	**307**
Net (gain) loss on the disposition of assets	22,326	**1,575**
Total operating expenses	262,099	**243,993**
Operating loss	(8,201)	**(7,754)**
Other income (expense):		
Interest income	2	**1**
Interest expense	(17,496)	**(16,075)**
Gain on early retirement of long-term debt	1,670	**49**
Net miscellaneous income and (expenses)	163	**(9)**
Net loss from operations before income taxes	(23,862)	**(23,788)**
Provision for income taxes	3,977	**30,274**
Net loss	$ (27,839)	**$ (54,062)**
Basic loss per share data:		
Basic loss per share Class A and Class B common stock	$ (1.05)	**$ (2.03)**
Diluted loss per share data:		
Diluted loss per share Class A and Class B common stock	$ (1.05)	**$ (2.03)**
Basic weighted average Class A and Class B shares outstanding	26,502,934	**26,683,363**
Diluted weighted average Class A and Class B shares outstanding	26,502,934	**26,683,363**

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 Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total
	Shares	Amount	Shares	Amount				
Stockholders' equity, December 31, 2018	22,950,066	$ 227	5,553,696	$ 56	$ 245,220	$ 10,372	$ (34,006)	$ 221,869
Distributions per share	$ 0.26		$ 0.26					
Stock-based compensation	—	—	—	—	1,460	—	—	1,460
Options exercised	200	—	—	—	—	—	—	—
Lapse of restricted shares	497,051	—	—	—	—	—	—	—
Cash distributions	—	—	—	—	—	(5,827)	—	(5,827)
Net loss	—	—	—	—	—	(27,839)	—	(27,839)
Stockholders' equity, December 31, 2019	23,447,317	$ 227	5,553,696	$ 56	$ 246,680	$ (23,294)	$ (34,006)	$ 189,663
Distributions per share	$ 0.22		$ 0.22					
Stock-based compensation	—	—	—	—	**345**	—	—	**345**
Cash distributions	—	—	—	—	—	**(667)**	—	**(667)**
Net loss	—	—	—	—	—	**(54,062)**	—	**(54,062)**
Stockholders' equity, December 31, 2020	**23,447,317**	**$ 227**	**5,553,696**	**$ 56**	**$ 247,025**	**$ (78,023)**	**$ (34,006)**	**$ 135,279**
Distributions per share	$ 0.025		$ 0.025					

See accompanying notes

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

	Year Ended December 31, 2019	Year Ended December 31, 2020
OPERATING ACTIVITIES		
Net loss	$ (27,839)	**$ (54,062)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash stock-based compensation	1,460	**345**
Depreciation and amortization	15,934	**14,058**
Amortization of deferred financing costs	1,060	**889**
Non-cash lease expense	9,026	**8,955**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	5	**—**
Provision for bad debts	2,066	**4,339**
Deferred income taxes	3,506	**30,105**
Impairment of indefinite-lived long-term assets other than goodwill	2,925	**17,254**
Impairment of goodwill	2,427	**307**
Change in the estimated fair value of contingent earn-out consideration	(41)	**(12)**
Net (gain) loss on the disposition of assets	22,326	**1,575**
Gain on early retirement of debt	(1,670)	**(49)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(595)	**1,516**
Inventories	(440)	**222**
Prepaid expenses and other current assets	617	**(957)**
Accounts payable and accrued expenses	(2,009)	**3,841**
Operating lease liabilities	(10,112)	**(9,154)**
Contract liabilities	(1,657)	**2,263**
Deferred rent income	(209)	**(308)**
Other liabilities	(34)	**1,692**
Income taxes payable	264	**32**
Net cash provided by operating activities	17,010	**22,851**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(7,757)	**(4,616)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(28)	**(151)**
Purchases of broadcast assets and radio stations	(35)	**—**
Purchases of digital media businesses and assets	(1,250)	**(400)**
Proceeds from sale of assets	20,741	**189**
Proceeds from the cash surrender value of life insurance policies	—	**2,363**
Other	(738)	**(329)**
Net cash provided by (used in) investing activities	10,933	**(2,944)**
FINANCING ACTIVITIES		
Payments to repurchase 6.75% Senior Secured Notes	(16,751)	**(3,392)**
Proceeds from borrowings under ABL Facility	111,790	**39,894**
Payments on ABL Facility	(119,024)	**(47,320)**
Payments of debt issuance costs	(44)	**(141)**
Payments of acquisition-related contingent earn-out consideration	—	**(7)**
Payment of cash distribution on common stock	(5,827)	**(667)**
Payments on financing lease liabilities	(83)	**(70)**
Book overdraft	1,885	**(1,885)**
Net cash used in financing activities	(28,054)	**(13,588)**
Net increase (decrease) in cash and cash equivalents	(111)	**6,319**
Cash and cash equivalents at beginning of year	117	**6**
Cash and cash equivalents at end of year	$ 6	**$ 6,325**

See accompanying notes

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

	Year Ended December 31, 2019		Year Ended December 31, 2020	
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Cash paid for interest	$	16,530	**$**	**15,158**
Cash paid for interest on finance lease liabilities	$	9	**$**	**7**
Cash paid for income taxes, net of refunds	$	207	**$**	**137**
Other supplemental disclosures of cash flow information:				
Barter revenue	$	5,688	**$**	**2,848**
Barter expense	$	5,075	**$**	**2,953**
Non-cash investing and financing activities:				
Capital expenditures reimbursable under tenant improvement allowances	$	28	**$**	**151**
Non-cash capital expenditures for property & equipment acquired under trade agreements	$	45	**$**	**20**
Deferred payments on acquisitions	$	—	**$**	**708**
Right-of-use assets acquired through operating leases	$	1,882	**$**	**4,186**
Right-of-use assets acquired through financing leases	$	24	**$**	**45**
Estimated present value of contingent-earn out consideration	$	19	**$**	**—**

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 20. 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.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak ofCOVID-19 a global pandemic. The responses by federal, state and local governments to restrict public gatherings and travel rapidly grew to include stay-at-home orders, school closures and mandatory restrictions on non-essential businesses and services that has adversely affected workforces, certain economies, and financial markets resulting in a significant economic downturn. We experienced declining revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spend due to the outbreak and stay-at-home orders that effectively shut many businesses down. This was particularly true within our broadcast segment, which derives substantial revenue from local advertisers who have been particularly hard hit due to social distancing and government interventions and in our publishing segment that sells books in retail stores and through live events.

While this disruption is expected to be temporary, there remains to be considerable uncertainty around the duration. Although advertising revenue continues to improve from the lowest levels experienced during April and May of 2020, it remains significantly below prior years. The exact timing and pace of the recovery has not been determinable as certain markets have reopened, some of which have since experienced a resurgence of COVID-19 cases, resulting in varying degrees of reinstated stay-at-home orders. Due to continuing uncertainties regarding the ultimate scope and trajectory of COVID-19's spread and evolution, it is impossible to predict the total impact that the pandemic will have on our business. If public and private entities continue to enforce restrictive measures, the material adverse effect on our business, results of operations, financial condition and cash flows could persist. Our businesses could also continue to be impacted by the disruptions from COVID-19 and resulting adverse changes in advertising customers and consumer behavior.

Future availability under our credit facility is contingent upon our eligible receivable balance, which is negatively impacted by lower revenue and longer days to collect. Availability under our Asset Based Loan ("ABL Facility") is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The maximum amount available under our ABL Facility declined to $24.2 million at December 31, 2020 from $26.4 million at December 31, 2019, of which $5.0 million was outstanding at December 31, 2020 compared to $12.4 million outstanding at December 31, 2019.

In response to these developments, beginning in March 2020, we implemented several measures to reduce costs and conserve cash to ensure that we have adequate cash to meet our debt servicing requirements, including:

- limiting capital expenditures;
- reducing discretionary spending, including travel and entertainment;
- eliminating open positions and freezing new hires;
- reducing staffing levels;

- implementing temporary company-wide pay cuts of 5%, 7.5% or 10% depending on salary level;
- furloughing certain employees;
- temporarily suspending the company 401(k) match;
- requesting rent concessions from landlords;
- requesting discounts from vendors;
- offering early payment discounts to certain customers in exchange for advance cash payments; and
- suspending the payment of distributions on our common stock indefinitely.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. On December 27, 2020, Congress passed the Consolidated Appropriations Act (“CAA”) that includes a second relief package, which, among other things, provides for an extension of the Payroll Support Program established by the CARES Act. We have utilized certain benefits of the CARES Act, and we may be entitled to benefits under the CAA based on our individual locations, including:

- the deferral of all employer FICA taxes beginning in April 2020 for the remainder of 2020, with 50% payable in December 2021 and the remainder payable in December 2022;
- relaxation of interest expense deduction limitation for income tax purposes; and
- Payroll Protection Plan (“PPP”) loans available based on the eligibility determined on aper-location basis of up to $11.2 million on a consolidated basis.

We believe that our customers have benefited from the enhanced benefits provided by the CARES Act, and that they will also benefit from the CAA. The CAA provides for another round of direct payments, enhanced unemployment benefits, education funding, and aid to sectors still reeling from the economic fallout of the pandemic. While these measures may benefit many of our customers, we cannot assure you that the implementation of these measures will offset the negative impact of COVID-19 on our customers. If the CAA or any additional stimulus measures are not sufficient to remediate the financial stress on our customers as a result of the pandemic, we may experience ongoing challenges in growing and maintain revenue and we may experience an increase in delinquencies that could materially and adversely impact our results of operations and financial condition in future periods.

We continue to review and consider any available potential benefit under the CARES Act and the CAA for which we qualify. We cannot predict the manner in which such benefits or any of the other benefits described herein will be allocated or administered and we cannot assure you that we will be able to access such benefits in a timely manner or at all. If the U.S. government or any other governmental authority agrees to provide such aid under the CARES Act, the CAA, or any other crisis relief assistance it may impose certain requirements on the recipients of the aid, including restrictions on executive officer compensation, dividends, prepayment of debt, limitations on debt and other similar restrictions that may apply for a period of time after the aid is repaid or redeemed in full.

Due to the adverse economic impact, we reforecast our anticipated results extending through March 2022. Our reforecast includes the impact of certain of these cost-cutting measures. Based on our current and expected economic outlook and our current and expected funding needs, we believe that the borrowing capacity under our current credit facilities, together with cash on hand, allows us to meet our ongoing operating requirements, fund necessary capital expenditures and satisfy our debt service requirements for at least the next twelve months, including the working capital deficit at December 31, 2020. Based on our current assessment, we believe that we have the ability to meet our obligations as they come due for one year from the issuance of this annual report.

Use of Estimates

The preparation of financial statements in conformity with 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.

Significant areas for which management uses estimates include:

- going concern evaluations;
- revenue recognition;
- asset impairments, including broadcasting licenses, goodwill and other indefinite-lived intangible assets;
- probabilities associated with the potential for contingentearn-out consideration;
- fair value measurements;
- contingency reserves;
- allowance for doubtful accounts;
- sales returns and allowances;
- barter transactions;
- inventory reserves;
- reserves for royalty advances;
- fair value of equity awards;
- self-insurance reserves;
- estimated lives for tangible and intangible assets;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting Right-Of-Use ("ROU") assets and lease liabilities;
- determining the Incremental Borrowing Rate ("IBR") for calculating ROU assets and lease liabilities;
- income tax valuation allowances; and
- uncertain tax positions.

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.

Trade Accounts Receivable and Unbilled Revenue

Trade accounts receivable, net of allowances: Trade accounts receivable includes amounts billed and due from our customers stated at their net estimated realizable value to be settled in cash. Trade accounts receivable for our self-publishing services represent contractual amounts due under individual payment plans that are adjusted quarterly to exclude unearned or cancellable 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 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

Inventories consist of published books recorded at the lower of cost or net realizable value as determined on a First-In First-Out (“FIFO”) cost method.

Inventory Reserves

We record a provision to expense the balance of unsold inventory that we believe to be unrecoverable. We review historical data associated with book inventories and our own experiences to estimate the fair value of inventory on hand. Our analysis includes a review of actual sales returns, our allowances, royalty reserves, overall economic conditions and product demand. We regularly monitor actual performance to our estimates and make adjustments as necessary. Estimated inventory reserves may be adjusted, either favorably or unfavorably, if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. 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.

Property and Equipment

We account for property and equipment in accordance with FASB ASC Topic 360-10, “*Property, Plant and Equipment*.” Property and equipment are recorded at cost less accumulated depreciation. Cost represents the historical cost of acquiring the asset, including the costs necessarily incurred to bring it to the condition and location necessary for its intended use. For assets constructed for our own use, such as towers and buildings that are discrete projects for which costs are separately accumulated and for which construction takes considerable time, we record capitalized interest. The amount of interest capitalized is the cost that could have been avoided had the asset not been constructed and is based on the average accumulated expenditures incurred over the capitalization period at the weighted average interest rate applicable to our outstanding variable rate debt. We capitalized interest of $27,000 and $0.2 million during the years ended December 31, 2020 and 2019. 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
Record and tape libraries	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 flows 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 ofinternal-use software as specified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 $3.4 million and $2.7 million during the years ended December 31, 2020, and 2019, respectively, related to internally developed software and website development costs. Depreciation expense of the amounts capitalized was $2.8 million and $2.6 million for each of the years ending December 31, 2020, and 2019, respectively.

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.

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.

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.

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 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	1 to 5 years

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, 2020.

Deferred Financing Costs

Debt issue costs are amortized to non-cash interest expense over the term of the agreement using the effective interest method.

On May 19, 2017, we closed on a private offering of $255.0 million aggregate principal amount of 6.75% senior secured notes due 2024 (the "Notes") and concurrently entered into a five-year $30.0 million senior secured asset-based revolving credit facility, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans due May 19, 2022.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the Note proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. We incurred debt issue costs of $0.9 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. 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 $28.4 million as of December 31, 2020 to offset $28.4 million of the deferred tax assets related to state net operating loss carryforwards of $15.7 million and other financial statement accrual assets of $4.0 million, for a total valuation allowance of $48.1 million for the year ended December 31, 2020. This balance represents an increase of $35.1 million during the year, from $13.0 million valuation allowance as of December 31, 2019.

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, 2020, we recognized liabilities associated with uncertain tax positions around 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 $0.3 million including interest and penalties. Our evaluation was performed for all tax years that remain subject to examination, which range from 2017 through 2020

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 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. Transactions that do not meet the definition of a business in ASU2017-01 "*Business Combinations (Topic 805) Clarifying 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.

Estimates of the fair value include discounted estimated cash flows to be generated by the assets and 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 expected contingent payments as determined using weighted probabilities of the payment amounts. 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.

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.

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.

Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred. We did not incur acquisition related costs during the year ended December 31, 2020 compared to $0.1 million of acquisition related costs incurred during the year ended December 31, 2019, which are included in unallocated corporate expenses in the accompanying Consolidated Statements of Operations.

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. Our self-insurance liability was $0.5 million and $0.6 million at December 31, 2020 and 2019, respectively. 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,	
	2019	**2020**
	(Dollars in thousands)	
Balance, beginning of period	$ 828	**$ 640**
Self-funded costs	8,087	**7,477**
Claims paid	(8,275)	**(7,574)**
Ending period balance	$ 640	**$ 543**

Derivative Instruments

We are exposed to market risk from changes in interest rates. We actively monitor these fluctuations and may use derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our variable rate debt and to reduce the impact of changing fair market values on our fixed rate debt. In accordance with our risk management strategy, we may use derivative instruments only for the purpose of managing risk associated with an asset, liability, committed transaction, or probable forecasted transaction that is identified by management. Our use of derivative instruments may result in short-term gains or losses that may increase the volatility of our earnings.

Under FASB ASC Topic 815, "*Derivatives and Hedging,*" the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument shall be reported as a component of other comprehensive income (outside earnings) and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, shall be recognized currently in earnings.

As of December 31, 2020, we did not have any outstanding derivative instruments.

Fair Value Measurements and Disclosures

As of December 31, 2020, the carrying value of cash and cash equivalents, trade accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying value of the ABL Facility approximates fair value as the related interest rates approximate rates currently available to the company. The carrying amount of the Notes at December 31, 2020 was $216.3 million, compared to the estimated fair value of $199.0 million based on the prevailing interest rates and trading activity of our Notes. See Note 13, Fair Value Measurements and Disclosures.

Long-term Debt and Debt Covenant Compliance

Our classification of outstanding borrowings on our Notes as long-term debt on our balance sheet is based on our assessment that, under the Indenture 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. The Notes have a term of seven years, maturing on June 1, 2024. We may redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. See Note 12, Long-Term Debt.

Reserves for Royalty Advances

Royalties due to book authors are paid in advance and capitalized. Royalties are expensed as the related book revenue is earned or when we determine that future recovery of the royalty is not likely. We reviewed 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 this 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 or 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, arbitration 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 ASC Topic 606, "*Revenue from Contracts with Customers*" ("ASC 606"). ASC 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. Application of ASC 606 requires a five-step model as discussed in Note 4, Revenue Recognition.

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 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 $7.9 million and $9.2 million for each of the years ended December 31, 2020 and 2019.

Leases

We adopted ASC 842 "*Leases*," on January 1, 2019 using the modified retrospective basis and electing the package of practical expedients provided by FASB. ASC 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. ASC 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.

For operating leases, we calculated ROU assets and lease liabilities based on the present value of the remaining lease payments as of the date of adoption using the IBR as of that date. There were no changes in our capital lease portfolio, which are now titled "finance leases" under ASC 842, other than the reclassification of the assets acquired under capital leases from their respective property and equipment category and long-term debt to ROU assets and lease liabilities.

Accounting Policy Elections under ASC 842

Lease Term

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. These factors are described in our Critical Accounting Policies, Judgments and Estimates in Item 7 in this annual report.

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, initially measured using the index or rate at the commencement date of January 1, 2019.
- 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 considered 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 ASC 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 considered 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 included 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 ASC 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.

From these data points, we develop a matrix to estimate the IBR for each lease class. We review the IBR estimates on a quarterly basis and update as necessary. We have not modified our estimate methodology and we have not recognized significant changes in our estimates.

Our analysis required the use of significant judgement and estimates, including the estimated value of the underlying leased asset, as described in are described in our Critical Accounting Policies, Judgments and Estimates in Item 7 in this annual report.

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. ASC 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.

Impairment of ROU Assets

ROU assets are reviewed for impairment when indicators of impairment are present. ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, "*Property, Plant, and Equipment*," as ROU assets are long-lived nonfinancial assets.

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

After a careful analysis of the guidance, we concluded that the appropriate unit of accounting for testing ROU assets for impairment is the broadcast market cluster level for radio station operations and the entity or division level for digital media entities, publishing entities and networks. Corporate ROU assets are tested on a consolidated level with consideration given to all cash flows of the company as corporate functions do not generate cash flows and are funded by revenue-producing activities at lower levels of the entity.

ASC 360 requires three steps to identify, recognize and measure the impairment of a long-lived asset (asset group) to be held and used:

Step 1—Consider whether Indicators of Impairment are Present

As detailed in ASC 360-10-35-21, the following are examples of impairment indicators:

- A significant decrease in the market price of a long-lived asset (asset group)
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

Other indicators should be considered if we believe that the carrying amount of an asset (asset group) may not be recoverable.

Step 2—Test for Recoverability

If indicators of impairment are present, we are required to perform a recoverability test comparing the sum of the estimated undiscounted cash flows attributable to the long-lived asset or asset group in question to the carrying amount of the long-lived asset or asset group.

ASC 360 does not specifically address how operating lease liabilities and future cash outflows for lease payments should be considered in the recoverability test. Under ASC 360, financial liabilities, or long-term debt, generally are excluded from an asset group while operating liabilities, such as accounts payable, generally are included. ASC 842 characterizes operating lease liabilities as operating liabilities. Because operating lease liabilities may be viewed as having attributes of finance liabilities as well as operating liabilities, it is generally acceptable for a lessee to either include or exclude operating lease liabilities from an asset group when testing whether the carrying amount of an asset group is recoverable provided the approach is applied consistently for all operating leases and when performing Steps 2 and 3 of the impairment model in ASC 360.

In cases where we have received lease incentives, including operating lease liabilities in an asset group may result in the long-lived asset or asset group having a zero or negative carrying amount because the incentives reduce our ROU assets. We elected to exclude operating lease liabilities from the carrying amount of the asset group such that we test ROU assets for operating leases in the same manner that we test ROU assets for financing leases.

Undiscounted Future Cash Flows

The undiscounted future cash flows in Step 2 are based on our own assumptions rather than a market participant. If an election is made to exclude operating lease liabilities from the asset or asset group, all future cash lease payments for the lease should also be excluded. The standard requires lessees to exclude certain variable lease payments from lease payments and, therefore, from the measurement of a lessee's lease liabilities. Because these variable payments do not reduce the lease liability, we include the variable payments we expect to make in our estimate of the undiscounted cash flows in the recoverability test (Step 2) using a probability-weighted approach.

Step 3—Measurement of an Impairment Loss

If the undiscounted cash flows used in the recoverability test are less than the carrying amount of the long-lived asset (asset group), we are required to estimate the fair value of the long-lived asset or asset group and recognize an impairment loss when the carrying amount of the long-lived asset or asset group exceeds the estimated fair value. We elected to exclude operating lease liabilities from the estimated fair value, consistent with the recoverability test. Any impairment loss for an asset group must reduce only the carrying amounts of a long-lived asset or assets of the group, including the ROU assets. The loss must be allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group must not reduce the carrying amount of that asset below its fair value whenever the fair value is determinable without undue cost and effort. ASC 360 prohibits the subsequent reversal of an impairment loss for an asset held and used.

Fair Value Considerations

When determining the fair value of a ROU asset, we must estimate what market participants would pay to lease the asset or what a market participant would pay up front in one payment for the ROU asset, assuming no additional lease payments would be due. The ROU asset must be valued assuming its highest and best use, in its current form, even if that use differs from the current or intended use. If no market exists for an asset in its current form, but there is a market for a transformed asset, the costs to transform the asset are considered in the fair value estimate. Refer to Note 13, Fair Value Measurements and Disclosures.

There were no indications of impairment during the year ended December 31, 2020.

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*."

During the year ended December 31, 2020, we recorded a $1.4 million estimated pre-tax loss for associated with plans to exit the Miami broadcast market with the pending sale of radio station WKAT-AM and various other fixed asset disposals.

During the year ended December 31, 2019 we recorded a $9.4 million pre-tax loss for the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri, a $4.7 million pre-tax loss from the sale of four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida, a $3.8 million pre-tax loss on the sale of radio station WSPZ-AM in Washington, D.C., a $1.6 million pre-tax loss from the sale of radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida, a $1.3 million pre-tax loss on the exchange of radio station KKOL-AM in Seattle, Washington for KPAM-AM in Portland, Oregon, a $0.2 million pre-tax loss on the sale Mike Turner's line of investment products, a $0.2 million pre-tax loss on the sale of HumanEvents.com and a $1.5 million estimated pre-tax loss for the pending sale of radio station WBZW-AM in Orlando, Florida that was partially offset by a $0.4 million pre-tax gain on the sale of a portion of land on our transmitter site in Miami, Florida and a $0.1 million pre-tax gain on the sale of Newport Natural Health.

Discontinued Operations

We regularly review underperforming assets to determine if a sale or disposal might be a better way to monetize the assets. When a station, group of stations, or other asset group is considered for sale or disposal, we review the transaction to determine if or when the entity qualifies as a discontinued operation in accordance with the criteria of FASB ASC Topic 205-20 "*Discontinued Operations*."

Basic and Diluted Net Earnings Per Share

Basic net earnings per share has 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 2,291,020 and 1,860,722 shares of Class A common stock were outstanding at December 31, 2020 and 2019. 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,	
	2019	**2020**
Weighted average shares	26,502,934	**26,683,363**
Effect of dilutive securities—stock options	—	**—**
Weighted average shares adjusted for dilutive securities	26,502,934	**26,683,363**

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, assesses 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"* ("ASC 810.") 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 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 810 may apply to entities under LMAs or TBAs, depending on the facts and circumstances related to each transaction. As of December 31, 2020, we did not have implicit or explicit arrangements that required consolidation under the guidance in FASB ASC 810.

Concentrations of Business Risks

We derive a substantial part of our total revenue from the sale of advertising. For the years ended December 31, 2020 and 2019, 30.7% and 35.3%, 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 14.1% and 22.1% of the total broadcast advertising revenue for the year ended December 31, 2020, and 15.0% and 20.4% of the total broadcast advertising revenue for the year ended December 31, 2019. 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; trade 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 trade 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 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 are not yet effective, but 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.

In January 2021, the FASB issued ASU2021-01, *Reference Rate Reform (Topic 848): Scope*, which refines the scope of ASC 848, *Reference Rate Reform*, and clarifies guidance as part of the FASB's ongoing monitoring of global reference rate reform activities. The ASU permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements, and calculating price alignment interest in connection with reference rate reform activities under way in global financial markets. The ASU is effective upon issuance and did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In January 2020, the FASB issued ASU2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The ASU is based on a consensus of the Emerging Issues Task Force and is expected to increase comparability in accounting for these transactions. ASU 2016-01 made targeted improvements to accounting for financial instruments, including providing an entity the ability to measure certain equity securities without a readily determinable fair value at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Among other topics, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of this ASU did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In June 2016, the FASB issued ASU2016-13, *Financial Instruments-Credit Losses,* which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that will replace today's "incurred loss" model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. Subsequent to issuing ASU 2016-13, the FASB issued ASU2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, for the purpose of clarifying certain aspects of ASU2016-13. ASU 2018-19 has the same effective date and transition requirements as ASU 2016-13. In April 2019, the FASB issued ASU2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, which is effective with the adoption of ASU 2016-13. In May 2019, the FASB issued ASU2019-05, *Financial Instruments – Credit Losses (Topic 326)*, which is also effective with the adoption of ASU 2016-13. In October 2019, the FASB voted to delay the implementation date for certain companies, including those, such as Salem, that qualify as a smaller reporting company under SEC rules, until January 1, 2023. We will adopt this ASU on its effective date of January 1, 2023. 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 year ended December 31, 2020, we completed or entered into the following transactions:

Debt Transactions

On April 7, 2020, we amended the Asset Based Loan Facility to increase the advance rate on eligible accounts receivable from 85% to 90% and to extend the maturity date from May 19, 2022 to March 1, 2024. The April 7, 2020 amendment allows for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued at the end of calendar year 2021.

We completed repurchases of $3.5 million of the 6.75% Senior Secured Notes ("Notes") for $3.4 million in cash, recognizing a net gain of $49,000 after adjusting for bond issuance costs as detailed in Note 12 – Long-Term Debt.

Equity Transactions

Distributions of $0.7 million ($0.025 per share) were declared and paid in March 2020 based upon our Board of Directors' ("Board") then current assessment of our business as detailed in Note 19 – Equity Transactions.

Acquisitions

On September 15, 2020, we acquired the Hyper Pixels Media website and related assets for $1.1 million in cash. We paid $0.4 million in cash upon closing with deferred payments of $0.4 million due January 31, 2021 and $0.3 million due September 15, 2021. We recorded goodwill of approximately $0.1 million associated with the expected synergies to be realized upon combining the operations of Journeyboxmedia.com into our digital media platform within Salem Web Network ("SWN") and from brand loyalty from its existing subscriber base that is not a separately identifiable intangible asset. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

A summary of our business acquisitions and asset purchases during the year ended December 31, 2020, 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 Cost
		(Dollars in thousands)
September 15, 2020	Hyper Pixels (business acquisition)	$ 1,108
		$ 1,108

Under the acquisition method of accounting as specified in FASB ASC Topic 805,*Business Combinations*, the total acquisition consideration of a business is allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. Transactions that do not meet the definition of a business in ASU 2017-01 *Business Combinations (Topic 805) Clarifying 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.

Fair value estimates include the discounted cash flows expected to be generated by the assets over their expected useful lives based on historical experience, market trends and the impact of 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 expected contingent payments as determined using weighted probabilities of the payment amounts.

We may retain a third-party appraiser to estimate the fair value of the net assets acquired as of the acquisition date. As part of this 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 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.

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. Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred.

The following table summarizes the total acquisition consideration for the year ended December 31, 2020:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	**$ 400**
Deferred payments	**700**
Closing costs accrued for business acquisitions	**8**
Total purchase price consideration	**$ 1,108**

The fair value of the net assets acquired was allocated as follows:

	Net Digital Media Assets Acquired
Assets	
Property and equipment	$ 866
Goodwill	66
Customer lists and contracts	179
Domain and brand names	18
	$ 1,129
Liabilities	
Contract liabilities	$ (21)
	$ 1,108

Divestitures

On April 6, 2020, we sold radio station WBZW-AM and an FM translator construction permit in Orlando, Florida, for $0.2 million in cash. We recognized an estimated pre-tax loss of approximately $1.5 million during the three months ended December 31, 2019, which reflects the sale price as compared to the carrying value of the assets less the estimated closing costs.

Pending Transactions

On September 10, 2020, we entered an APA to sell radio station WKAT-AM and an FM translator in Miami, Florida, for $3.5 million in cash. We will exit the Miami market upon the close of this transaction. We entered a Local Marketing Agreement ("LMA") under which the buyer will begin programming the station in November 2020. We recognized an estimated pre-tax loss of $1.4 million during the three-month period ended September 30, 2020, which reflects the sale price as compared to the carrying value of the assets sold, the estimated closing costs, and the write-off of the remaining Miami assets as a result of exiting this market. This transaction is subject to the approval of the FCC and is expected to close in the first half of 2021.

On February 5, 2020, we entered an APA with Word Broadcasting to sell radio stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a Time Brokerage Agreement ("TBA.") Due to changes in debt markets, the transaction was not funded, and it is uncertain when, or if, the transaction will close. Word Broadcasting continues to program the stations under a TBA that began in January 2017.

NOTE 4. REVENUE RECOGNITION

We recognize revenue in accordance with ASC 606, "*Revenue from Contracts with Customers*" ("ASC 606"). 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 ASC 606 requires us to use significant judgment and estimates when applying a five-step model applicable to all revenue streams.

Principal versus Agent Considerations

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

Contract Assets

Contract Assets—Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in the 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, 2020, our prepaid commission expense was $0.7 million.

Contract Liabilities

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

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

	Short Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2020	$ 9,493	$ 1,744
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(7,096)	—
Additional amounts recognized during the period	23,727	878
Revenue recognized during the period that was recorded during the period	(15,225)	—
Transfers	753	(753)
Balance, end of period December 31, 2020	$ 11,652	1,869
Amount refundable at beginning of period	$ 9,403	$ 1,744
Amount refundable at end of period	$ 11,607	1,869

We expect to satisfy these performance obligations as follows:

For the Year Ended December 31,	Amount (Dollars in thousands)
2021	$ 11,652
2022	1,257
2023	328
2024	155
2025	46
Thereafter	83
	$13,521

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, 2021 and December 31, 2025. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under ASC 606.

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

Variable Consideration

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

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

Based on the constraints for using estimates of variable consideration within ASC 606, and our historical experience with these campaigns, we will continue to recognize revenue at the base amount of the campaign with variable consideration recognized when the uncertainty of each campaign is resolved. These constraints include:

(1) the amount of consideration received is highly susceptible to factors outside of our influence, specifically the extent to which our audience donates or contributes to our customer or programmer, (2) the length of time in which the uncertainty about the amount of consideration expected is to be resolved, and (3) our experience has shown these contracts have a large number and broad range of possible outcomes.

Trade and Barter Transactions

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

Trade and barter revenue and expenses were as follows:

	Year Ended December 31,	
	2019	2020
Net broadcast barter revenue	$5,625	$2,810
Net digital media barter revenue	—	—
Net publishing barter revenue	63	38
Net broadcast barter expense	$5,055	$2,952
Net digital media barter expense	—	—
Net publishing barter expense	20	1

Practical Expedients and Exemptions

We elected certain practical expedients and policy elections as permitted under ASC 606 as follows:

- We adopted the practical expedient related to not adjusting the promised amount of consideration for the effects of a significant financing component if the period between transfer of product and customer payment is expected to be less than one year at the time of contract inception;
- We made the accounting policy election to not assess promised goods or services as performance obligations if they are immaterial in the context of the contract with the customer;
- We made the accounting policy election to exclude sales and similar taxes from the transaction price;
- We made the accounting policy election to treat shipping and handling costs that occur after control transfers as fulfillment activities instead of assessing such activities as separate performance obligations; and
- We adopted the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

	Year Ended December 31, 2020			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming—National	$ 47,009	$ —	$ —	$ 47,009
Block Programming—Local	24,267	—	—	24,267
Spot Advertising—National	15,288	—	—	15,288
Spot Advertising—Local	39,407	—	—	39,407
Infomercials	974	—	—	974
Network	19,371	—	—	19,371
Digital Advertising	15,938	20,644	415	36,997
Digital Streaming	2,774	3,446	—	6,220
Digital Downloads and eBooks	3,211	5,904	1,605	10,720
Subscriptions	1,166	9,208	680	11,054
Book Sales and e-commerce, net of estimated sales returns and allowances	1,438	140	9,228	10,806
Self-Publishing fees	—	—	5,424	5,424
Advertising—Print	1	—	353	354
Other Revenue	7,283	251	814	8,348
	$178,127	**$ 39,593**	**$ 18,519**	**$ 236,239**
Timing of Revenue Recognition				
Point in Time	$175,611	$ 39,593	$ 18,519	$ 233,723
Rental Income(1)	2,516	—	—	2,516
	$178,127	**$ 39,593**	**$ 18,519**	**$ 236,239**

	Year Ended December 31, 2019			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming—National	$ 48,465	$ —	$ —	$ 48,465
Block Programming—Local	30,502	—	—	30,502
Spot Advertising—National	16,352	—	—	16,352
Spot Advertising—Local	51,824	—	—	51,824
Infomercials	1,409	—	—	1,409
Network	19,078	—	—	19,078
Digital Advertising	12,582	20,454	405	33,441
Digital Streaming	825	3,873	—	4,698
Digital Downloads and eBooks	—	5,694	1,428	7,122
Subscriptions	1,107	8,044	763	9,914
Book Sales and e-commerce, net of estimated sales returns and allowances	378	480	11,679	12,537
Self-Publishing fees	—	—	5,474	5,474
Advertising—Print	28	—	609	637
Other Revenue	10,789	620	1,036	12,445
	$193,339	**$ 39,165**	**$ 21,394**	**$ 253,898**
Timing of Revenue Recognition				
Point in Time	$191,010	$ 39,103	$ 21,394	$ 251,507
Rental Income(1)	2,329	62	—	2,391
	$193,339	**$ 39,165**	**$ 21,394**	**$ 253,898**

(1) Rental income is not applicable to ASC 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 under ASC 606 is as follows:

Block Programming. We recognize revenue from the sale of blocks of airtime to program producers that typically range from 12/2, 25 or 50-minutes of time. We separate block program revenue into three categories, National, Local and Infomercial revenue. Our stations are classified by format, including Christian Teaching and Talk, News Talk, Contemporary Christian Music, Spanish Language Christian Teaching and Talk and Business. 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 own 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 own and operated mobile applications, and advertisements in digital newsletters that we produce, as well an 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 as well as provides a full-service digital marketing strategy for each of our clients. In our role as a digital agency, our sales team provides our customers with integrated digital advertising solutions that optimize the performance of their campaign, which we view as one performance obligation. Our advertising campaigns are designed to be “white label” agreements between Salem and our advertiser, meaning we provide special care and attention to the details of the campaign. We provide custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital advertising solutions may include third-party websites, such as Google or Facebook, which can be included in a digital advertising social media campaign. We manage all aspects of the digital campaign, including social media placements, review and approval of target audiences, and the monitoring of actual results to make modifications as needed. We may contract directly with a third-party, however, we are responsible for delivering the campaign results to our customer with or without the 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 payment from our customer. We have discretion in setting the price to our customer without input or approval from the third-party. Accordingly, revenue is reported gross, as principal, as the performance obligation is delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation.

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

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

Subscriptions. We recognize revenue from the sale of subscriptions for financial publication digital newsletters, digital magazines, podcast subscriptions for on-air content, and subscriptions to our print magazine. Subscription terms typically range from three months to two years, with a money-back guarantee for the first 30 days. Refunds after the first 30-day period are considered on a pro-rata basis based on the number of publications issued and delivered. Payments are due in advance of delivery and can be made in full upon subscribing or in quarterly installments. Cash received in advance of the subscription term, including amounts that are refundable, is recorded in contract liabilities. Revenue is recognized ratably over the subscription term at the point in time that each publication is transmitted or shipped, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated cancellations, which are based on our experience and historical cancellation rates during the cancellable period.

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

e-Commerce. We recognize revenue from the sale of products sold through our digital platform. Payments for products are due in advance shipping. We record a contract liability when we receive customer payments in advance of shipment. The time frame from receipt of payment to shipment is typically one business day based on the time that an order is placed as compared to fulfillment. E-Commerce revenue is recognized at the time of shipment, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated returns, which are based on our experience and historical return rates. Returned products are recorded in inventory if they are unopened and re-saleable with a corresponding reduction in the cost of goods sold.

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.

Advertising—Print. We recognize revenue from the sale of print magazine advertisements. Revenue is recognized upon delivery of the print magazine which represents the point in time that control is transferred to the customer thereby completing the performance obligation. 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.

Other Revenue. Other revenue include 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.

NOTE 5. INVENTORIES

Inventories consist of published books from Regnery® Publishing. Inventories are valued at the lower of cost or net realizable value as determined on a First-In First-Out cost method net of estimated reserves for obsolescence.

The following table provides details of inventory on hand:

	December 31, 2019	December 31, 2020
	(Dollars in thousands)	
Book inventories	$ 1,988	**$ 1,994**
Reserve for obsolescence	(1,271)	**(1,499)**
Inventory, net	$ 717	**$ 495**

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,	
	2019	**2020**
	(Dollars in thousands)	
Land	$ 30,936	**$ 30,254**
Buildings	30,283	**28,922**
Office furnishings and equipment	36,855	**36,875**
Antennae, towers and transmitting equipment	78,312	**78,057**
Studio, production, and mobile equipment	30,164	**29,023**
Computer software and website development costs	29,595	**33,928**
Record and tape libraries	17	**17**
Automobiles	1,509	**1,514**
Leasehold improvements	18,834	**18,187**
Construction-in-progress	4,290	**2,681**
	$ 260,795	**$ 259,458**
Less accumulated depreciation	(173,122)	**(180,336)**
	$ 87,673	**$ 79,122**

Depreciation expense was approximately $10.8 million and $11.3 million for the years ended December 31, 2020 and 2019. 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, 2020.

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 terms remaining from less than one-year up to twenty years. Many of these leases contain options under which we can 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 the 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.

Due to the adverse economic impact of the COVID-19 pandemic, we began negotiating with landlords in early 2020 to obtain rent concessions to improve our short-term liquidity. In some instances, the renegotiations have led to agreements with landlords for rent abatements or rental deferrals. In accordance with the FASB's recent Staff Q&A regarding rent concessions related to the effects of the COVID-19 pandemic, we will not apply the lease modification guidance under ASC 842 to rent concessions that result in the total payments required under the modified contract that are substantially the same as or less than total payments required by the original contract. If other terms of the lease are changed or renegotiated in connection with the concession process, then the changes will be treated as a modification in accordance with ASC 842.

For qualifying rent abatement concessions, we recorded negative lease expense for abatement during the period of relief. During the year ended December 31, 2020, we recognized negative lease expense related to rent abatement concessions of $0.3 million. Additionally, deferred cash payments of $0.7 million remained at December 31, 2020 that are reported in short-term and long-term operating lease liabilities as applicable based on repayment terms that range from one year through December 2024.

Balance Sheet

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to operating lease ROU assets and operating lease liabilities of $65.0 million and $74.4 million, respectively. The difference between the operating lease ROU assets and operating lease liabilities at transition represented existing deferred rent expense and prepaid rent that was derecognized upon adoption. During the year ended December 31, 2020, we recorded additional ROU assets and corresponding lease liabilities of $4.2 million.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020 *(Dollars in thousands)*		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 6,918	$41,285	$48,203
Operating lease liabilities (current)	$ 958	$ 8,005	$ 8,963
Operating lease liabilities (non-current)	6,139	41,601	47,740
Total operating lease liabilities	$ 7,097	$49,606	$56,703

Weighted Average Remaining Lease Term	
Operating leases	8.2 years
Finance leases	3.2 years
Weighted Average Discount Rate	
Operating leases	7.92%
Finance leases	5.35%

Lease Expense

The components of lease expense were as follows:

	Twelve Months Ended December 31, 2020
	(Dollars in thousands)
Amortization of finance lease ROU Assets	$ 71
Interest on finance lease liabilities	7
Finance lease expense	78
Operating lease expense	11,832
Variable lease expense	599
Short-term lease expense	612
Total lease expense	$ 13,121

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Twelve Months Ended December 31, 2020
	(Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 14,099
Operating cash flows from finance leases	6
Financing cash flows from finance leases	70
Leased assets obtained in exchange for new operating lease liabilities	$ 4,185
Leased assets obtained in exchange for new finance lease liabilities	45

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, 2020, are as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2021	$ 1,507	$ 11,256	$ 12,763	$ 65	$ 12,828
2022	1,612	10,735	12,347	57	12,404
2023	1,169	9,671	10,840	37	10,877
2024	1,015	7,400	8,415	17	8,432
2025	1,036	6,069	7,105	6	7,111
Thereafter	4,061	25,967	30,028	—	30,028
Undiscounted Cash Flows	$10,400	$ 71,098	$ 81,498	$ 182	$ 81,680
Less: imputed interest	(3,303)	(21,492)	(24,795)	(15)	(24,810)
Total	$ 7,097	$ 49,606	$ 56,703	$ 167	$ 56,870

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
Reconciliation to lease liabilities:					
Lease liabilities—current	$ 958	$ 8,005	$ 8,963	$ 60	$ 9,023
Lease liabilities—long-term	6,139	41,601	47,740	107	47,847
Total Lease Liabilities	$7,097	$49,606	$56,703	$ 167	$56,870

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 6.5 years.

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

	Year Ended December 31,	
	2019	**2020**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment	$ 484,691	**$ 441,143**
Accumulated loss on impairment	(108,375)	**(103,285)**
Balance, beginning of period after cumulative loss on impairment	376,316	**337,858**
Acquisitions of radio stations	617	**—**
Acquisitions of FM translators and construction permits	35	**—**
Capital Projects	300	**—**
Disposition of radio stations and FM translators	(36,502)	**(1,091)**
Impairments based on the estimated fair value of broadcast licenses	(2,908)	**(16,994)**
Balance, end of period after cumulative loss on impairment	$ 337,858	**$ 319,773**
Balance, end of period before cumulative loss on impairment	$ 441,143	**$ 440,052**
Accumulated loss on impairment	(103,285)	**(120,279)**
Balance, end of period after cumulative loss on impairment	$ 337,858	**$ 319,773**

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.

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 prior year 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 prior year estimated fair value exceeds the current year carrying value. Based on our analysis and review, including the financial performance of each market, we believe that a 25% excess fair value margin is a reasonable benchmark for our qualitative analysis. Markets with an excess fair value of 25% or more, which have had no significant changes in the prior year assumptions and key estimates, are not likely to be impaired.

Of the 16 markets for which an independent third-party fair value appraisal was obtained in the prior year, one market was sold, leaving 15 markets applicable to the current year. The table below presents the percentage within a range by which our prior year start-up income estimated fair value exceeds the current year carrying value of our broadcasting licenses:

	Geographic Market Clusters as of December 31, 2020 Percentage Range By Which 2019 Estimated Fair Value Exceeds 2020 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	**4**	**8**	**2**	**1**
Broadcast license carrying value (in thousands)	**$92,983**	**$ 44,670**	**$ 27,465**	**$ 6,092**

We performed interim reviews of broadcast licenses in 11 markets during the quarter ended March 31, 2020 and the quarter ended September 30, 2020, due to the COVID-19 pandemic and the resulting stay-at-home orders that adversely impacted revenue. These 11 markets were tested based on the excess fair value percentages noted in the most recent testing period. While we have seen improvements in revenue from the lowest point in 2020, the improvement has been slower than originally expected due to extended and reinstated stay-at-home orders that unfavorably impacted the economy. We believe that revenue will continue to recover as restrictions are lifted and economic activity increases.

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 11 of our market clusters at March 31, 2020 and September 30, 2020. Based on our review and analysis, we determined that the carrying value of broadcast licenses in 7 of our market clusters were impaired as of the interim testing period ended March 31, 2020. We recorded an impairment charge of $17.0 million to the value of broadcast licenses in Chicago, Cleveland, Louisville, Philadelphia, Portland, Sacramento and Tampa as of the interim testing period ended March 31, 2020. The impairment charges were driven by decreases in projected revenue due to the current estimated impact of COVID-19 and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations. There were no impairment charges recorded during the three months ended September 30, 2020.

The results of our interim impairment reviews were as follows:

Market Cluster	Excess Fair Value March 31, 2020 Estimate	Excess Fair Value September 30, 2020 Estimate
Boston, MA	4.8%	5.6%
Chicago, IL	(9.0%)	8.5%
Cleveland, OH	(18.4%)	6.5%
Dallas, TX	8.5%	11.8%
Louisville, KY	(21.8%)	13.8%
New York, NY	7.3%	15.9%
Philadelphia, PA	(13.1%)	5.1%
Portland, OR	(14.8%)	10.1%
Sacramento, CA	(9.6%)	4.6%
San Francisco, CA	1.2%	7.0%
Tampa, FL	(28.0%)	20.5%

We included these 11 markets in our annual testing based on the excess fair value from our interim testing that was less than 25% as follows:

	Geographic Market Clusters as December 31, 2020 Percentage Range By Which March 2020 Estimated Fair Value Exceeds 2020 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	**11**	—	—	—
Broadcast license carrying value (in thousands)	**$188,858**	$ —	$ —	$ —

The second part of our qualitative assessment consists of a review of the financial operating results for each market cluster. Radio stations are often sold on the basis of a multiple of projected cash flow, or Station Operating Income ("SOI") defined as net broadcast revenue less broadcast operating expenses. See Item 6 – Selected Financial Data within this annual report for information on SOI, a non-GAAP measure. Numerous trade organizations and analysts review these radio station sales to track SOI multiples applicable to each transaction. Based on published reports and analysis of market transactions, we believe industry benchmarks to be in the six to seven times cash flow range. We elected an SOI benchmark of four as a reasonable indicator of fair value. Based on this qualitative review, we identified seven markets subject to further testing and six markets selected that were not tested in the prior for a total of 13 additional markets.

The table below shows the percentage within a range by which our estimated fair value exceeded the carrying value of our broadcasting licenses for these 13 market clusters:

	Geographic Market Clusters as of December 31, 2020 Tested due to SOI Multiple and length of time from prior valuation – Percentage Range by Which Prior Valuation Exceeded 2020 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	—	**3**	**2**	**8**
Broadcast license carrying value (in thousands)	$ —	**13,373**	**8,150**	**63,869**

Based on this assessment, we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 24 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, 2019	March 31, 2020	**September 30, 2020**	**December 31, 2020**
Risk-adjusted discount rate	9.0%	9.5%	**8.5%**	**8.5%**
Operating profit margin ranges	4.0% - 33.8%	4.6% - 33.8%	**4.3% - 33.3%**	**4.2% - 31.0%**
Long-term revenue growth rates	0.7% - 1.1%	0.8% - 1.1%	**0.2% - 1.1%**	**0.4% - 0.9%**

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 during our annual testing period, there were no impairment charges recorded during the three months ended December 31, 2020. The table below presents the results of our impairment testing under the start-up income approach:

Market Cluster	**Excess Fair Value December 31, 2020 Estimate**
Boston, MA	14.5%
Chicago, IL	8.3%
Cleveland, OH	14.6%
Dallas, TX	7.5%

Market Cluster	Excess Fair Value December 31, 2020 Estimate
Denver, CO	1091.0%
Detroit, MI	58.9%
Greenville, SC	9.7%
Honolulu, HI	12.3%
Houston, TX	2424.2%
Los Angeles, CA	60.9%
Louisville, KY	14.6%
Nashville, TN	436.6%
New York, NY	37.7%
Philadelphia, PA	23.3%
Phoenix, AZ	61.6%
Pittsburgh, PA	239.6%
Portland, OR	8.7%
Sacramento, CA	5.1%
San Antonio, TX	335.6%
San Diego, CA	13.6%
San Francisco, CA	8.7%
Seattle, WA	2466.5%
Tampa, FL	60.9%
Washington, D.C.	187.5%

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.

	Year Ended December 31,	
	2019	**2020**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,818	**$ 28,454**
Accumulated loss on impairment	(2,029)	**(4,456)**
Balance, beginning of period after cumulative loss on impairment	26,789	**23,998**
Acquisitions of digital media entities	6	**66**
Disposition of radio stations	(29)	**—**
Disposition of digital media entities	(341)	**—**
Impairments based on the estimated fair value goodwill	(2,427)	**(307)**
Ending period balance	$ 23,998	**$ 23,757**
Balance, end of period before cumulative loss on impairment	28,454	**28,520**
Accumulated loss on impairment	(4,456)	**(4,763)**
Ending period balance	$ 23,998	**$ 23,757**

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.

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 entities operating income to estimate the fair value. We believe that a multiple of four is a reasonable indicator of fair value as 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 review 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 review.

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. Four of our 31 market clusters have goodwill associated with them as of our annual testing period ended December 31, 2020.

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

Broadcast Markets Enterprise Valuations	December 31, 2019	**December 31, 2020**
Risk-adjusted discount rate	9.0%	**8.5%**
Operating profit margin ranges	(31.1%) - 38.7%	**(11.4%) - 41.5%**
Long-term revenue growth rates	0.7% -0.9%	**0.5% - 0.8%**

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

Based on our qualitative review, we tested four market clusters for impairment of goodwill. We 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" value of the underlying assets is used.

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, 2020.

The tables below present the percentage within a range by which the estimated fair value exceeded the carrying value of each of our market clusters, including goodwill:

	Broadcast Market Clusters as of December 31, 2020 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**	—	—	**3**
Carrying value including goodwill (*in thousands*)	**8,386**	—	—	**43,617**

Goodwill – Digital Media

The unit of accounting we use to test goodwill in our digital media segment is the entity level, which includes SWN, SWN Spanish, 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.

Two of our digital media entities have goodwill associated with them as of our annual testing period ended December 31, 2020. We tested one of these entities for impairment because it was not tested in the prior year. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value of the entity 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:

Digital Media Enterprise Valuations	December 31, 2019	**December 31, 2020**
Risk adjusted discount rate	10.0%	**9.5%**
Operating profit margin ranges	3.7% - 28.8%	**3.4% - 6.8%**
Long-term revenue growth rates	0.5% -1.0%	**1.0%**

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, 2020. The estimated fair value exceeded the carrying value by 32.1%.

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, 2020 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*)	—	—	**3,164**	—

Goodwill—Publishing

The unit of accounting we use to test goodwill in our publishing segment is the entity level, which includes Regnery® Publishing, Salem Author Services and *Singing News*®. 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 flows of reported at the entity level. Salem Author Services operates from a stand-alone facility in Orlando, Florida under one general manager who is responsible for the operating results and cash flows. *Singing News*® produces and distributes a print magazine. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available.

We performed an interim review of goodwill during the first quarter of 2020 due to theCOVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenue. We assessed a variety of factors, including media industry forecasts for the remainder of 2020 and the amount by which the prior estimated fair value exceeded the carrying value including goodwill. Based on our review and analysis, we recorded an impairment charge of $0.3 million, including a $0.1 million charge to the carrying value of goodwill associated with Salem Author Services. The impairment charge was driven by a decrease in operating margins due to the impact of COVID-19 on revenue and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

Two of our publishing entities have goodwill associated with them as of our annual testing period ended December 31, 2020. We tested one of these entities because it had not been tested in the prior year and we tested the other entity based on the amount by which the prior estimated fair value exceeded the carrying value. 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, 2019	March 31, 2020	**December 31, 2020**
Risk adjusted discount rate	10.0%	10.5%	**9.5%**
Operating margin ranges	1.5% - 3.9%	0.0% - 3.9%	**1.5% - 4.4%**
Long-term revenue growth rates	0.5%	0.5%	**0.5% - 1.0%**

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, 2020.

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, 2020 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**	—	—	**1**
Carrying value including goodwill (*in thousands*)	**2,282**	—	—	**391**

NOTE 10. OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

Other indefinite-lived intangible assets consist of mastheads, or the graphic elements that identify our publications to readers and advertisers. These include customized typeset page headers, section headers, and column graphics as well as other name and identity stylized elements within the body of each publication. We are not aware of any legal, competitive, economic or other factors that materially limit the useful life of our mastheads. We account for mastheads in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize mastheads, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired.

We performed an interim review of mastheads during the three months ended March 31, 2020 due to the COVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenue. We assessed a variety of factors, including media industry forecasts and the amount by which the prior estimated fair value exceeded the carrying value. The results of our interim impairment analysis are described further below.

Impairment testing requires estimates of the fair value of our indefinite-lived intangible assets. We believe that these fair value estimates 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.

For the interim testing, we engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the fair value of mastheads using a Relief from Royalty method, a form of the income approach. The Relief from Royalty method estimates the fair value of mastheads through use of a discounted cash flow model that incorporates a hypothetical "royalty rate" that a third-party owner would be willing to pay in lieu of owning the asset. The royalty rate is based on observed royalty rates for comparable assets as of the measurement date. We adjust the selected royalty rate to account for a percentage of the royalty fee that could be attributed to the use of other intangibles, such as goodwill, time in existence, trade secrets and industry expertise. The adjusted royalty rate represents the royalty fee remaining that could be attributed to the use of the masthead only.

Pre-tax royalty income is based on a 10-year revenue forecast and assumed to carry on into perpetuity. Revenue beyond the projection period (terminal year) is based on estimated long-term industry growth rates. The analysis also incorporates the present value of the tax amortization benefit associated with mastheads. The key estimates and assumptions are as follows:

Mastheads	December 31, 2019	**March 31, 2020**
Risk-adjusted discount rate	10.0%	**10.5%**
Long-term revenue growth rates	(4.0%) - (1.0%)	**(1.0%) - (25.0%)**
Royalty rate	3.00%	**3.00%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date. Based on our review and analysis, we recorded an impairment charge to mastheads of $17,300 as of the annual testing period ended December 31, 2019 and $0.3 million as of the interim testing period ended March 31, 2020. The impairment charges were driven by decreases in the projected long-term revenue growth rates for the print magazine industry and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations. The impairment charge during the three months ended March 31, 2020 reduced the value of our mastheads to zero eliminating subsequent testing.

NOTE 11. AMORTIZABLE INTANGIBLE ASSETS

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

	As of December 31, 2020		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	**$24,012**	**$ (22,533)**	**$1,479**
Domain and brand names	**20,350**	**(19,127)**	**1,223**
Favorable and assigned leases	**2,188**	**(1,943)**	**245**
Subscriber base and lists	**9,886**	**(8,974)**	**912**
Author relationships	**2,771**	**(2,765)**	**6**
Non-compete agreements	**2,041**	**(1,954)**	**87**
Other amortizable intangible assets	**1,666**	**(1,601)**	**65**
	$62,914	**$ (58,897)**	**$4,017**

	As of December 31, 2019		
	Cost	**Accumulated Amortization**	**Net**
	(Dollars in thousands)		
Customer lists and contracts	$23,833	$ (21,823)	$2,010
Domain and brand names	20,332	(17,727)	2,605
Favorable and assigned leases	2,188	(1,920)	268
Subscriber base and lists	9,886	(8,251)	1,635
Author relationships	2,771	(2,609)	162
Non-compete agreements	2,041	(1,798)	243
Other amortizable intangible assets	1,666	(1,489)	177
	$62,717	$ (55,617)	$7,100

Amortization expense was approximately $3.3 million and $4.6 million for the years ended December 31, 2020 and 2019. Based on the amortizable intangible assets as of December 31, 2020, we estimate amortization expense for the next five years to be as follows:

Year ended December 31,	**Amortization Expense**
	(Dollars in thousands)
2021	$ 1,846
2022	1,209
2023	675
2024	82
2025	8
Thereafter	197
Total	$ 4,017

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.

6.75% Senior Secured Notes

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

The 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) (the "Notes Priority Collateral"). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Notes were redeemable, in whole or in part, at any time on or before June 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a "make-whole" premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2020, the Notes are redeemable at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date.

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

The Indenture provides for the following events of default (each, an "Event of Default"): (i) default in payment of principal or premium on the Notes at maturity, upon repurchase, acceleration, optional redemption or otherwise; (ii) default for 30 days in payment of interest on the Notes; (iii) the failure by us or certain restricted subsidiaries to comply with other agreements in the Indenture or the Notes, in certain cases subject to notice and lapse of time; (iv) the failure of any guarantee by certain significant Subsidiary Guarantors to be in full force and effect and enforceable in accordance with its terms, subject to notice and lapse of time; (v) certain accelerations (including failure to pay within any grace period) of other indebtedness of ours or any restricted subsidiary if the amount accelerated (or so unpaid) is at least $15 million; (vi) certain judgments for the payment of money in excess of $15 million; (vii) certain events of bankruptcy or insolvency with respect to us or any significant subsidiary; and (viii) certain defaults with respect to any collateral having a fair market value in excess of $15 million. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of the Notes and any accrued interest on the Notes to be due and payable immediately, subject to remedy or cure in certain cases. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under the Indenture.

Based on the balance of the Notes currently outstanding, we are required to pay $14.6 million per year in interest on the Notes. As of December 31, 2020, accrued interest on the Notes was $1.2 million.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the debt proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the years ended December 31, 2020 and 2019, $0.7 million and $0.9 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

Based on the then existing market conditions, we completed repurchases of our 6.75% Senior Secured Notes at amounts less than face value as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain
			(Dollars in thousands)		
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
	$ 38,659	$ 35,586		$ 706	$ 2,367

Asset-Based Revolving Credit Facility

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

The ABL Facility is a five-year $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings.

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

On April 7, 2020, we entered into a third amendment to ABL Facility that increased the advance rate on eligible accounts receivable from 85% to 90% and extended the maturity date from May 19, 2022 to March 1, 2024. The

April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued at the end of calendar year 2021.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of December 31, 2020, the amount available under the ABL Facility was $24.2 million of which $5.0 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the "ABL Facility Priority Collateral") and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict our ability and the ability of our subsidiaries (i) to incur additional indebtedness; (ii) to make investments; (iii) to make distributions, loans or transfers of assets; (iv) to enter into, create, incur, assume or suffer to exist any liens, (v) to sell assets; (vi) to enter into transactions with affiliates; (vii) to merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) to prepay indebtedness; and (ix) to pay dividends.

The Credit Agreement provides for the following events of default: (i) default for non-payment of any principal or letter of credit reimbursement when due or any interest, fees or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

We incurred debt issue costs of $0.9 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During each of the years ended December 31, 2020 and 2019, $0.2 million of debt issuance costs associated with the ABL Facility was amortized to interest expense. At December 31, 2020, the blended interest rate on amounts outstanding under the ABL Facility was 2.5%.

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. At December 31, 2020, we were, and we remain, in compliance with all of the covenants under the Credit Agreement.

Summary of long-term debt obligations

Long-term debt consisted of the following:

	As of December 31,	
	2019	**2020**
	(Dollars in thousands)	
6.75% Senior Secured Notes	$219,836	**$216,341**
Less unamortized debt issuance costs based on imputed interest rate of 7.08%	(3,368)	**(2,577)**
6.75% Senior Secured Notes net carrying value	216,468	**213,764**
Asset-Based Revolving Credit Facility principal outstanding	12,426	**5,000**
Long-term debt less unamortized debt issuance costs	228,894	**218,764**
Less current portion	(12,426)	**(5,000)**
Long-term debt less unamortized debt issuance costs, net of current portion	$216,468	**$213,764**

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of December 31, 2020:

- $5.0 million under the ABL Facility, with interest spread ranging from Base Rate plus 0.50% to 1.00% for base rate borrowings and LIBOR plus 1.50% to 2.00% for LIBOR borrowings;
- $216.3 million aggregate principal amount of Notes with semi-annual interest payments at an annual rate of 6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2020 for each of the next five years and thereafter are as follows:

	Amount
	(Dollars in thousands)
For the Year Ended December 31,	
2021	$ 5,000
2022	—
2023	—
2024	216,341
2025	—
Thereafter	—
	$ 221,341

NOTE 13. FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." FASB ASC Topic 820 "*Fair Value Measurements and Disclosures,*" ("ASC 820") established a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defines three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the ASC 820 hierarchy are as follows:

- *Level 1 Inputs*—quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- *Level 2 Inputs*—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability; and
- *Level 3 Inputs*—unobservable inputs for the asset or liability. These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

Under ASC 820, a fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Therefore, fair value is a market-based measurement and not an entity-specific measurement. It is determined based on assumptions that market participants would use in pricing the asset or liability. The exit price objective of a fair value measurement applies regardless of the reporting entity's intent and/or ability to sell the asset or transfer the liability at the measurement date.

As of December 31, 2020, the carrying value of cash and cash equivalents, trade accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes at December 31, 2020 was $216.3 million compared to the estimated fair value of $199.0 million, based on the prevailing interest rates and trading activity of our Notes.

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

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

	December 31, 2020			
	Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
	(Dollars in thousands)			
Liabilities:				
Long-term debt less unamortized debt issuance costs	**$ 218,764**	—	$201,263	—

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.

For financial reporting purposes, we recorded a valuation allowance of $28.4 million as of December 31, 2020 to offset $28.4 million of the deferred tax assets related to the federal net operating loss carryforwards, and $19.7 million of the deferred tax assets related to state net operating loss carryforwards of $15.7 million and other financial statement accrual assets of $4.0 million, for a total valuation allowance of $48.1 million for the year ended December 31, 2020. This balance represents an increase of $35.1 million during the year, from $13.0 million valuation allowance as of December 31, 2019.

The consolidated provision for income taxes is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2020
	(Dollars in thousands)	
Current:		
Federal	$ —	**$ —**
State	471	**169**
	471	**169**
Deferred:		
Federal	(1,445)	**17,283**
State	4,951	**12,822**
	3,506	**30,105**
Provision for income taxes	$ 3,977	**$ 30,274**

Consolidated deferred tax assets and liabilities consist of the following:

	As of December 31, 2019	As of December 31, 2020
	(Dollars in thousands)	
Deferred tax assets:		
Financial statement accruals not currently deductible	$ 4,652	**$ 6,580**
Net operating loss, AMT credit and other carryforwards	45,521	**44,154**
State taxes	70	**35**
Operating lease liabilities under ASC 842	16,618	**14,909**
Other	6,847	**11,222**
Total deferred tax assets	73,708	**76,900**
Valuation allowance for deferred tax assets	(12,977)	**(48,073)**
Net deferred tax assets	$ 60,731	**$ 28,827**
Deferred tax liabilities:		
Excess of net book value of property and equipment and software for financial reporting purposes over tax basis	$ 2,391	**$ 1,065**
Excess of net book value of intangible assets for financial reporting purposes over tax basis	82,939	**84,163**
Operating lease right-of-use assets under ASC 842	14,179	**12,482**
Other	—	**—**
Total deferred tax liabilities	99,509	**97,710**
Net deferred tax liabilities	$(38,778)	**$(68,883)**

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

	As of December 31,	
	2019	**2020**
	(Dollars in thousands)	
Deferred income tax asset per balance sheet	$ —	**$ —**
Deferred income tax liability per balance sheet	(38,778)	**(68,883)**
	$(38,778)	**$(68,883)**

A reconciliation of the statutory federal income tax rate to the provision for income tax is as follows:

	Year Ended December 31,	
	2019	**2020**
	(Dollars in thousands)	
Statutory federal income tax (statutory tax rate)	$ (5,045)	**$ (4,995)**
Effect of state taxes, net of federal	3,714	**10,468**
Permanent items	329	**379**
State rate change	668	**63**
Valuation allowance	4,105	**24,302**
Tax Cuts and Jobs Act of 2017	—	
Other, net	206	**57**
Provision for income taxes	$ 3,977	**$ 30,274**

At December 31, 2020, we had net operating loss carryforwards for federal income tax purposes of approximately $135.3 million that expire in years 2021 through 2038 and for state income tax purposes of approximately $610.8 million that expire in years 2021 through 2040. For financial reporting purposes at December 31, 2019, we had a valuation allowance of $8.9 million, net of federal benefit, to offset the deferred tax assets related to the state net operating loss carryforwards along with a valuation allowance of $4.1 million to offset the deferred tax assets related to the federal net operating loss carryforwards. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2020, we performed an assessment of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The economic uncertainty from the COVID-19 pandemic provided additional negative evidence that outweighed positive evidence resulting in our conclusion that additional deferred tax assets of $35.1 million related to federal and state net operating loss carryforwards are more likely than not to be not realized. As such, an additional valuation allowance of $35.1 million was recorded, for a total valuation allowance of $48.1 million as of the year ended December 31, 2020.

The amortization of our indefinite-lived intangible assets for tax purposes, but not for book purposes, creates deferred tax liabilities. A reversal of deferred tax liabilities may occur when indefinite-lived intangibles: (1) become impaired; or (2) are sold, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire company in a taxable transaction. Due to the amortization for tax purposes and not book purposes of our indefinite-lived intangible assets, we expect to continue to generate deferred tax liabilities in future periods exclusive of any impairment losses in future periods. These deferred tax liabilities and net operating loss carryforwards result in differences between our provision for income tax and cash paid for taxes.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The company enters 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.

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

The company and its subsidiaries, incident to its 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. The company evaluates claims based on what we believe to be both probable and reasonably estimable. The company maintains insurance that may provide coverage for such matters. Consequently, the company is unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. The company believes, at this time, that the final resolution of these matters, individually and in the aggregate, will not materially adversely affect the company's consolidated financial position, results of operations or cash flows.

NOTE 16. STOCK INCENTIVE PLAN

Our Amended and Restated 1999 Stock Incentive Plan (the "Plan") provides for grants of equity-based awards to employees, non-employee directors and officers, and advisors of the company ("Eligible Persons"). The Plan is designed to promote the interests of the company using equity investment interests to attract, motivate, and retain individuals.

A maximum of 8,000,000 shares are authorized under the Plan. All awards have restriction periods tied primarily to employment and/or service. The Plan allows for accelerated or continued vesting in certain circumstances as defined in the Plan including death, disability, a change in control, and termination or retirement. Our Board, or a committee appointed by our Board, has discretion subject to limits defined in the Plan, to modify the terms of any outstanding award. Awards granted to non-employee directors are made in exchange for their services to the company as directors and therefore, the guidance in FASB ASC Topic 505-50 *Equity Based Payments to Non-Employees* is not applicable.

Under the Plan, our Board, or a committee appointed by our Board, may impose restrictions on the exercise of awards during pre-defined blackout periods. 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, 2020 and 2019:

	Year Ended December 31,	
	2019	**2020**
	(Dollars in thousands)	
Stock option compensation expense included in unallocated corporate expenses	$ 271	**$ 152**
Restricted stock shares compensation expense included in unallocated corporate expenses	623	**—**
Stock option compensation expense included in broadcast operating expenses	111	**136**
Restricted stock shares compensation expense included in broadcast operating expenses	383	**—**
Stock option compensation expense included in digital media operating expenses	71	**56**
Stock option compensation expense included in publishing operating expenses	1	**1**
Total stock-based compensation expense, pre-tax	$ 1,460	**$ 345**
Tax expense from stock-based compensation expense	(380)	**(90)**
Total stock-based compensation expense, net of tax	$ 1,080	**$ 255**

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, 2020 and 2019:

	Year Ended December 31, 2019	**Year Ended December 31, 2020**
Expected volatility	56.12%	53.96%
Expected dividends	16.27%	7.30%
Expected term (in years)	6.7	7.6
Risk-free interest rate	1.69%	1.14%

Activity with respect to the company's option awards during the two years ended December 31, 2020 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, 2019	1,980,972	$ 4.63	$ 2.61	4.1 years	$ —
Granted	88,750	1.63	0.44		—
Exercised	(200)	2.38	2.05		—
Forfeited or expired	(208,800)	5.77	4.06		2
Outstanding at December 31, 2019	1,860,722	$ 4.39	$ 2.37	3.6 years	$ —
Exercisable at December 31, 2019	1,248,844	4.93	2.78	2.3 years	—
Expected to Vest	580,978	$ 4.40	$ 2.38	3.5 years	$ —
Outstanding at January 1, 2020	**1,860,722**	**$ 4.39**	**$ 2.37**	**3.6 years**	**$ —**
Granted	**743,000**	**1.37**	**0.35**		**—**
Exercised	**—**	**—**	**—**		**—**
Forfeited or expired	**(312,702)**	**5.71**	**3.80**		**—**
Outstanding at December 31, 2020	**2,291,020**	**3.23**	**1.52**	**4.3 years**	**$ —**
Exercisable at December 31, 2020	**1,229,770**	**4.37**	**2.22**	**2.4 years**	**—**
Expected to Vest	**1,007,657**	**3.26**	**1.54**	**4.2 years**	**$ —**

Activity with respect to the company's restricted stock awards during the year ended December 31, 2020 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, 2020	107,990	$ 1.85	1.67 years	$ 156
Granted	—	—	—	—
Lapse of restrictions	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2020	107,990	$ 1.85	0.7 years	$ 112

Additional information regarding options outstanding as of December 31, 2020, 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	1,047,353	5.5	\$ 1.68	276,853	\$ 2.48
\$3.01 - \$3.28	533,000	4.8	3.25	274,000	3.25
\$3.29 - \$4.63	63,500	4.7	3.77	31,750	3.77
\$4.64 - \$4.85	398,542	2.7	4.85	398,542	4.85
\$4.86 - \$6.65	1,000	1.0	6.38	1,000	6.38
\$6.66 - \$8.76	247,625	0.6	7.00	247,625	7.00
	2,291,020	**4.3**	**\$ 3.23**	**1,229,770**	**\$ 4.37**

The aggregate intrinsic value represents the difference between the company's closing stock price on December 31, 2020 of \$1.04 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, 2020 and 2019 was \$0.4 million and \$0.7 million, respectively.

As of December 31, 2020, there was \$0.2 million of total unrecognized compensation cost related tonon-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 1.8 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 (as defined in Item 404(a) of SEC Regulation S-K) 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, 2020 and December 31, 2019, 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 Chief Executive Officer 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, 2020 and 2019 amounted to $0.2 million. Mr. Ted Atsinger, son of the CEO 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 CEO and its Chairman of the Board. Rental expense under these leases included in operating expense for each of the years ending December 31, 2020 and 2019 was $1.5 million and $1.6 million, respectively.

Truth For Life – Mr. Riddle

Truth For Life is a non-profit organization that is a customer of Salem Media Group, Inc. During 2020 and 2019, the company billed Truth For Life approximately $2.4 million and $2.5 million for airtime on its stations. The company had receivable balances of $0 million and $0.2 million, respectively, related to these sales at December 31, 2020 and 2019. Mr. Riddle, a director of the company, joined the Truth for Life board in October 2010. Mr. Riddle notified the company of his resignation from the Truth for Life board in June 2019.

Know the Truth – Mr. Riddle

Know the Truth is a non-profit organization that is a customer of Salem Media Group, Inc. During 2020 and 2019 the company billed Know the Truth approximately $0.6 million and $0.8 million for airtime on its stations. The company had receivable balances of $39,000 and $1.2 million at December 31, 2020 and 2019. Mr. Riddle, a director of the company, joined the Know the Truth board in 2010 and remains a member of this board.

Split-Dollar Life Insurance

Salem maintained split-dollar life insurance policies for its Chairman and Chief Executive Officer since 1997. Since 2003, the company has been the owner of the split-dollar life insurance policies and was entitled to recover all of the premiums paid on the policies. The premiums were $0.2 million and $0.5 million for each of the years ended December 31, 2020 and 2019, respectively. The cumulative premiums paid on these policies were $3.7 million and $3.5 million, respectively. The policies were surrendered during 2020 with net proceeds of $2.4 million paid to the company. The company paid $0.3 million of the proceeds to the Chairman and $0.3 million of the proceeds to the Chief Executive Officer in exchange for surrendering the policies.

Transportation Services Supplied by Sun Air Jets

From time to time, the company rents aircraft from a company owned by Edward G. Atsinger III, Chief Executive Officer and director 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 payments for aircraft for the years ended December 31, 2020 and 2019 was approximately $298,000 and $135,000, respectively. At December 31, 2020, $100,000 of the $298,000 paid to Sun Air Jets during 2020 was applied as an advance to secure future flights at discounted rates.

NOTE 18. DEFINED CONTRIBUTION PLAN

We maintain a 401(k) defined contribution plan (the "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 match was suspended in March 2020 to reduce costs and conserve cash as a result of the economic impact of the COVID-19 pandemic. The company contributed and expensed $0.8 million and $1.9 million, respectively, into the 401(k) Plan during each of the years ended December 31, 2020 and 2019.

NOTE 19. EQUITY TRANSACTIONS

We account for stock-based compensation expense in accordance with FASB ASC Topic 718, "*Compensation-Stock Compensation*." We recorded non-cash stock-based compensation expense of $0.3 million and $1.5 million to additional paid-in capital during the years ended December 31, 2020 and 2019, respectively.

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 and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. On May 6, 2020 our Board voted to discontinue distributions on our common stock indefinitely due to the adverse economic impact of the COVID-19 pandemic on our financial position, results of operations, and cash flows.

The following table shows distributions that have been declared and paid since January 1, 2019:

Announcement Date	Payment Date	Amount Per Share	Cash Distributed *(in thousands)*
March 10, 2020	March 31, 2020	$0.0250	$ 667
December 10, 2019	December 30, 2019	$0.0250	667
September 11, 2019	September 30, 2019	$0.0650	1,730
May 14, 2019	June 28, 2019	$0.0650	1,728
March 7, 2019	March 29, 2019	$0.0650	1,702

NOTE 20. SEGMENT DATA

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

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

Segment performance, as defined by Salem, 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 print advertisements can benefit national companies by reaching audiences throughout the United States.

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces, and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,200 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM") and Singing News® Radio.

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 12 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 33 markets across the United States, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, e-commerce, audio and video streaming, and other resources digitally through the web. Salem Web Network ("SWN") websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, GodVine.com, iBelieve.com, GodTube®.com, OnePlace™.com, Christianity.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, LightSource.com, AllCreated.com, ChristianRadio.com, CCMmagazine.com, SingingNews®.com and SouthernGospel.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 e-commerce websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, Youthworker.com, JourneyBoxMedia.com, Playblackmedia.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 three businesses: (1) Regnery® Publishing, a traditional book publisher that has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich, David Limbaugh, Ed Klein, Mark Steyn and Dinesh D'Souza; (2) Salem Author Services, a self-publishing service for authors through Xulon Press and Mill City Press; and (3) *Singing News®,* which produces and distributes a print magazine.

The table below presents financial information for each operating segment as of December 31, 2020 and 2019 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2020					
Net revenue	**$178,127**	**$39,593**	**$ 18,519**	**$ —**	**$ 236,239**
Operating expenses	**140,942**	**31,725**	**21,950**	**16,194**	**210,811**
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	**$ 37,185**	**$ 7,868**	**$ (3,431)**	**$ (16,194)**	**$ 25,428**
Depreciation	**6,464**	**3,096**	**281**	**936**	**10,777**
Amortization	**23**	**2,416**	**841**	**1**	**3,281**
Change in the estimated fair value of contingent earn-out consideration	**—**	**(12)**	**—**	**—**	**(12)**
Impairment of indefinite-lived long-term assets other than goodwill	**16,994**	**—**	**260**	**—**	**17,254**
Impairment of goodwill	**184**	**10**	**105**	**8**	**307**
Net (gain) loss on the disposition of assets	**1,554**	**—**	**2**	**19**	**1,575**
Net operating income (loss)	**$ 11,966**	**$ 2,358**	**$ (4,920)**	**$ (17,158)**	**$ (7,754)**

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2019					
Net revenue	$193,339	$39,165	$ 21,394	$ —	$ 253,898
Operating expenses	149,439	30,801	22,348	15,940	218,528
Net operating income (loss) before depreciation, amortization, impairments, change in estimated fair value of contingent earn-out consideration and net (gain) loss on the disposition of assets	$ 43,900	$ 8,364	$ (954)	$ (15,940)	$ 35,370
Depreciation	7,128	3,082	354	733	11,297
Amortization	35	3,757	844	1	4,637
Impairment of indefinite-lived long-term assets other than goodwill	2,908	—	17	—	2,925
Impairment of goodwill	—	2,089	338	—	2,427
Change in estimated fair value of contingent earn-out consideration	—	(41)	—	—	(41)
Net (gain) loss on the disposition of assets	22,056	260	10	—	22,326
Operating income (loss)	$ 11,773	$ (783)	$ (2,517)	$ (16,674)	$ (8,201)

	Broadcast	Digital Media	Publishing	Corporate	Consolidated
			(Dollars in thousands)		
As of December 31, 2020					
Inventories, net	**$ —**	**$ —**	**$ 495**	**$ —**	**$ 495**
Property and equipment, net	**64,231**	**6,221**	**741**	**7,929**	**79,122**
Broadcast licenses	**319,773**	**—**	**—**	**—**	**319,773**
Goodwill	**2,746**	**19,565**	**1,446**	**—**	**23,757**
Amortizable intangible assets, net	**246**	**3,434**	**337**	**—**	**4,017**
As of December 31, 2019					
Inventories, net	$ —	$ —	$ 717	$ —	$ 717
Property and equipment, net	72,816	6,127	801	7,929	87,673
Broadcast licenses	337,858	—	—	—	337,858
Goodwill	2,930	19,509	1,551	8	23,998
Other indefinite-lived intangible assets	—	—	260	—	260
Amortizable intangible assets, net	268	5,653	1,178	1	7,100

NOTE 21. SUBSEQUENT EVENTS

In January 2021, we applied for $11.2 million in PPP loans available under the CAA for our radio station clusters and our networks. We have received $8.4 million in funding and expect to receive the remaining amount in the next several weeks.

On February 4, 2021, we entered into an APA to acquireKDIA-AM and KDYA-AM in San Francisco, California for $0.6 million. The purchase is subject to the approval of the FCC and is expected to close in the first half of 2021.

On January 4, 2021, we granted 100,000 stock options to the President of our New Media division. The fair value of the stock award was measured based on the grant date market price of our common shares.

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Exchange Act

Rule 13a-15(e)). Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2020, the end of the period covered by this annual report.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of managements and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has used the framework set forth in the 2013 report entitled "Internal Control—Integrated Framework" published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year.

(c) Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the Company's fourth fiscal quarter of 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT," expected to be filed within 120 days of our fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "EXECUTIVE COMPENSATION," expected to be filed within 120 days of our fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS" expected to be filed within 120 days of our fiscal year end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this item relating to "Certain Relationships and Related Party Transactions" is incorporated by reference to our Definitive Proxy Statement under the heading "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" expected to be filed within 120 days of our fiscal year end.

The information required by this item relating to "Director Independence" is incorporated by reference to our Definitive Proxy Statement under the heading "DIRECTOR INDEPENDENCE" expected to be filed within 120 days of our fiscal year end.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "PRINCIPAL ACCOUNTING FEES AND SERVICES," expected to be filed within 120 days of our fiscal year end.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements. The financial statements required to be filed hereunder are included in Item 8.

ITEM 16. FORM 10-K SUMMARY

Not required for smaller reporting companies.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Exhibits.

EXHIBIT LIST

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
3.01	Amended and Restated Certificate of Incorporation of the Company.	8-K	333-41733-29	04/14/99	3.1	
3.02	Certificate of Amendment of Certificate of Incorporation of the Company.	8-K	000-26497	02/23/15	3.1	
3.03	Third Amended and Restated Bylaws of the Company.	8-K	000-26497	09/17/19	3.3	
4.01	Specimen of Class A common stock certificate.	S-1/A	333-76649	Declared Effective 06/30/99	4.09	
4.02	Indenture, dated as of May 19, 2017, by and among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent	8-K	000-26497	05/23/17	4.1	
4.03	Form of 6.750% Senior Secured Note due 2024	8-K	000-26497	05/23/17	4.2	
4.04	Security Agreement, dated as of May 19, 2017, among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as collateral agent	8-K	000-26497	05/23/17	4.3	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
4.05	Description of Debt Securities and Guarantees	10-K	000-26497	03/13/20	4.05	
10.00	Employment Agreement, dated July 1, 2019 between Salem Communications Holding Corporation and Edward G. Atsinger III.	8-K	000-26497	07/03/19	99.1	
10.01	Employment Agreement, dated January 3, 2021 between Salem Communications Holding Corporation and Stuart W. Epperson.	—	—	—	—	X
10.02	Employment Agreement dated January 1, 2020 between Salem Communications Holding Corporation and Evan D. Masyr.	8-K	000-26497	01/06/20	99.1	
10.03	Employment Agreement dated January 3, 2021 between Salem Communications Holding Corporation and David Santrella.	8-K	000-26497	01/07/21	99.2	
10.04	Employment Agreement, effective as of January 3, 2021, between Salem Communications Holding Corporation and David A.R. Evans.	8-K	000-26497	01/07/21	99.1	
10.05	Employment Agreement, effective as of July 1, 2018, between Salem Communications Holding Corporation and Christopher J. Henderson.	8-K	000-26497	05/15/18	99.1	
10.06.02	Antenna/tower/studio lease between Common Ground Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2036.	8-K	000-26497	09/08/16	10.2	
10.06.03	Antenna/tower lease (KFAX-FM/Hayward, California) and Salem Broadcasting Company, a partnership consisting of Messrs. Atsinger and Epperson, expiring in 2023.	8-K	000-26497	04/14/08	10.06.21	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.06.04	Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, Texas) and Epperson-Atsinger 1983 Family Trust expiring 2017.	S-4	333-41733-29	01/29/98	10.05.19	
10.06.04.01	Amendment to Lease to Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Epperson-Atsinger 1983 Family Trust expiring 2017.	10-K	000-26497	03/17/08	10.06.13.01	
10.06.04.02	Second Amendment to Lease to Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Epperson-Atsinger 1983 Family Trust expiring 2017.	10-K	000-26497	03/17/08	10.06.13.02	
10.06.05	Antenna/tower lease between Inspiration Media, Inc. (KLFE-AM/Seattle, Washington) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring in 2023.	8-K	000-26497	04/14/08	10.06.22	
10.06.06	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WNTP-AM/WFIL-AM/Philadelphia, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2023.	8-K	000-26497	04/14/08	10.06.27	
10.06.07	Antenna/tower lease between New Inspiration Broadcasting Co., Inc.: as successor in interest to Radio 1210, Inc. (KPRZ-AM/San Marcos, California) and The Atsinger Family Trust expiring in 2028.	S-4	333-41733-29	01/29/98	10.05.12	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.06.08	Lease Agreement between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2036.	8-K	000-26497	03/03/16	10.1	
10.06.09	Antenna/tower lease between Salem Media of Oregon, Inc. (KPDQ-AM/FM/Portland, Oregon), and Messrs. Atsinger and Epperson expiring 2023.	8-K	000-26497	04/14/08	10.06.24	
10.06.10	Antenna/tower lease between South Texas Broadcasting, Inc. (KNTH-AM/Houston-Galveston, Texas) and Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2023.	8-K	000-36497	04/14/08	10.06.23	
10.06.11	Antenna/tower lease between New Inspiration Broadcasting Company, Inc. (KFIA-AM/Sacramento, California) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2036.	8-K	000-26497	09/08/16	10.1	
10.06.13	Antenna/tower lease between Pennsylvania Media Associates Inc. (WORL-AM / Orlando, Florida) and Atsinger Family Trust and Stuart W. Epperson, revocable living trust expiring 2045.	10-K	000-26497	03/16/07	10.05.25	
10.06.14	Lease Agreement, dated April 8, 2008, between Inspiration Media, Inc. (KDOW-AM/Palo Alto, CA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.20	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.06.15	Lease Agreement, dated April 8, 2008, between New Inspiration Broadcasting Company, Inc. (KFAX-AM/San Francisco, CA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.21	
10.06.16	Lease Agreement, dated April 8, 2008, between Inspiration Media, Inc. (KLFE-AM/Seattle, WA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.22	
10.06.17	Lease Agreement, dated April 8, 2008, between South Texas Broadcasting, Inc. (KNTH-AM/Houston, TX) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.23	
10.06.18	Lease Agreement, dated April 8, 2008, between Salem Media of Oregon, Inc. (KPDQ-AM/Portland, OR) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.24	
10.06.19	Lease Agreement, dated April 8, 2008, between Common Ground Broadcasting, Inc. (KPXQ-AM/Glendale, AZ) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.25	
10.06.20	Lease Agreement, dated April 8, 2008, between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX/night sight) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.26	
10.06.21	Lease Agreement, dated January 25, 2017, between Caron Broadcasting, Inc. (KTIE-AM/San Bernardino) and Principal Shareholders expiring 2036.	8-K	000-26497	01/27/2017	10.1	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.06.22	Lease Agreement dated May 8, 2017, between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Principal Shareholders expiring 2037.	8-K	000-26497	05/10/2017	10.1	
10.08.01	Amended and Restated 1999 Stock Incentive Plan (as amended and restated through May 8, 2019).	DEFA14A	000-26497	04/22/19	Appendix A	
10.08.02	Form of stock option grant for Amended and Restated 1999 Stock Incentive Plan.	10-K	000-26497	03/16/05	10.08.02	
10.08.03	Form of restricted stock option grant for Amended and Restated 1999 Stock Incentive Plan.	10-Q	000-26497	11/09/05	10.01	
10.09	Management Services Agreement by and among Salem and Salem Communications Holding Corporation, dated August 25, 2000 (incorporated by reference to previously filed exhibit 10.11).	10-Q	000-26497	05/15/01	10.11	
10.10.01	Credit Agreement, dated as of March 14, 2013, by and among Salem Communications Corporation, as the borrower, Wells Fargo Bank, National Association, as Administrative Agent, Swing Line Lender and L/C Issuer and the other Lenders party thereto, Wells Fargo Securities, LLC, SunTrust Robinson Humphrey, Inc., and Rabobank, N.A., as Joint Lead Arrangers and Joint Bookrunners, SunTrust Bank, as Syndication Agent, and Rabobank, N.A. as Documentation Agent.	8-K	000-26497	03/14/13	10.1	

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.10.02	Security Agreement, dated as of March 14, 2013, by and among Salem Communications Corporation, as Borrower and the Guarantors party thereto and Wells Fargo Bank, National Association, as Administrative Agent.	8-K	000-26497	03/14/13	10.2	
10.10.03	Intercreditor Agreement, dated as of May 19, 2017, by and between Wells Fargo Bank, National Association, as administrative agent, and U.S. Bank National Association, as collateral agent.	8-K	000-26497	05/23/17	10.1	
10.10.04	Credit Agreement, dated as of May 19, 2017, by and among Salem Media Group, Inc., as parent and a borrower, the subsidiaries party thereto, as borrowers, Wells Fargo Bank, National Association, as administrative agent, Wells Fargo Bank, National Association, as lead arranger, and the lenders that are parties thereto.	8-K	000-26497	05/23/17	10.2	
10.10.05	Guaranty and Security Agreement, dated as of May 19, 2017, by and among Salem Media Group, Inc., the subsidiaries party thereto and Wells Fargo Bank, National Association, as administrative agent	8-K	000-26497	05/23/17	10.3	
10.10.06	Purchase Agreement, dated May 11, 2017, by and between Salem Media Group, Inc., the subsidiaries party thereto, Wells Fargo Securities, LLC, Barclays Capital Inc. and Noble Capital Markets, Inc.	10-Q	000-26497	08/08/17	10.5	

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Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.10.07	Amendment Number Four dated as of October 20, 2020 to the Credit Agreement, as amended by Amendment Number One dated as of July 28, 2017, and as further amended by Amendment number Two dated as of November 16, 2018, and further amended by Amendment Number Three dated as of April 7, 2020.	—	—	—	—	X
14	Code of Ethics	—	—	—	—	X
21	Subsidiaries of Salem Media Group, Inc.	—	—	—	—	X
23.1	Consent of Crowe LLP, Independent Registered Public Accounting Firm.	—	—	—	—	X
23.2	Consent of Bond & Pecaro.	—	—	—	—	X
31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
101	The following financial information from the Annual Report on Form 10-K for the fiscal year ended December 31, 2020, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets (ii) Consolidated Statements of Operations (iii) the Consolidated Statement of Stockholders' Equity (iv) the Consolidated Statements of Cash Flows (v) the Notes to the Consolidated Financial Statements.	—	—	—	—	X

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EXHIBIT INDEX

Exhibit Number	Description of Exhibits
10.01	Employment Agreement, dated January 3, 2021 between Salem Communications Holding Corporation and Stuart W. Epperson.
10.10.07	Amendment Number Four dated as of October 20, 2020 to the Credit Agreement, as amended by Amendment Number One dated as of July 28, 2017, and as further amended by Amendment number Two dated as of November 16, 2018, and further amended by Amendment Number Three dated as of April 7, 2020.
14	Code of Ethics
21	Subsidiaries of Salem Media Group Inc.
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32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.
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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SALEM MEDIA GROUP, INC.

March 4, 2021

By: /s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
Chief Executive Officer

March 4, 2021

By: /s/ EVAN D. MASYR

Evan D. Masyr
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ EDWARD G. ATSINGER III Edward G. Atsinger III	Chief Executive Officer (Principal Executive Officer)	March 4, 2021
/s/ EVAN D. MASYR Evan D. Masyr	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 4, 2021
/s/ STUART W. EPPERSON Stuart W. Epperson	Chairman	March 4, 2021
/s/ RICHARD A. RIDDLE Richard A. Riddle	Director	March 4, 2021
/s/ ERIC HALVORSON Eric Halvorson	Director	March 4, 2021
/s/ HEATHER W. GRIZZLE Heather W. Grizzle	Director	March 4, 2021

Exhibit 10.01

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into effective as of January 3, 2021, by and between **Stuart W. Epperson**, an individual ("Executive"), and **Salem Communications Holding Corporation**, a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Executive and the Company are parties to an Employment Agreement, dated July 1, 2018, which was amended on or about May 11, 2020 (collectively the "Old Employment Agreement");

WHEREAS, the Old Employment Agreement terminated effective as of midnight on December 31, 2020;

WHEREAS, the Company desires to employ Executive in the capacity of Chairman of the Board of the Company on the terms and conditions set forth herein; and

WHEREAS, Executive desires to serve in such capacity on behalf of the Company and to provide to the Company the services described herein on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company hereby agree as follows:

1. Employment by the Company and Term.

(a) Duties. Subject to the terms set forth herein, the Company agrees to employ Executive as Chairman of the Board and Executive hereby accepts such employment. As Chairman of the Board, Executive shall have the authority, functions, duties, powers and responsibilities for Executive's corporate office and position as set forth in the Company's Bylaws from time to time and such other authority, functions, duties, powers and responsibilities as the Board of Directors of the Company (the "Board") may from time to time prescribe or delegate to Executive, in all cases to be consistent with Executive's corporate offices and positions. Notwithstanding the foregoing, the Board may change Executive's title, corporate office, positions, authority, functions, duties, powers and responsibilities from time to time if it, in its sole discretion, believes such change(s) to be in the best interest of the Company, provided that in no event shall Executive's status be of lesser stature than as non-executive Vice Chairman.

(b) Full Time and Best Efforts. During the Term, Executive shall apply, on a full-time basis, all of his skill and experience to the performance of his duties hereunder and shall not, without the prior consent of the Board, devote substantial amounts of time to outside business activities. The performance of Executive's duties shall be primarily in Winston-Salem, North Carolina and Jacksonville, Florida, subject to reasonable travel as the performance of his duties in the business may require. Notwithstanding the foregoing, Executive may devote a reasonable amount of his time to civic, community, charitable or passive investment activities in a manner which is reasonably consistent with his historic practices.

(c) Company Policies. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company and of its parent, Salem Media Group, Inc., a Delaware corporation ("Parent"), including without limitation the policies described in Section 10 of this Agreement, except that when the terms of this Agreement differ from or are in conflict with the Company's or Parent's general employment policies or practices, this Agreement shall control.

(d) Term. Executive's term of employment under this Agreement shall commence as of the date hereof (the "Effective Date") and, subject to the terms hereof, shall terminate on such date (the "Termination Date") that is the earlier of: (1) December 31, 2021, or (2) the termination of Executive's employment pursuant to Section 4 of this Agreement. The period from the Effective Date until the Termination Date shall be defined herein as the "Term."

2. Compensation and Benefits.

(a) Cash Salary. Executive shall receive for services to be rendered hereunder an annual base salary (the "Base Salary"), at a rate of**Two Hundred Thousand Dollars ($200,000)**.

(b) Participation in Benefit Plans. During the Term, Executive shall be entitled to participate in any group insurance, hospitalization, medical, dental, health and accident, disability, compensation or other plan or program of the Parent or Company now existing or established hereafter to the extent that he is eligible under the general provisions thereof. The Company may, in its sole discretion and from time to time, amend, eliminate or establish additional benefit programs as it deems appropriate. The availability and terms of such benefit plans shall be set by the Board of Directors of Parent, or its designated committee, and may change from time-to-time. Executive shall be required to comply with all conditions attendant to coverage by the benefit plans hereunder and shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be enumerated from time to time.

(c) Perquisites. During the Term, the Company shall provide Executive with the perquisites and other fringe benefits generally made available to senior executives of the Company and any such other benefits as the Board of Directors of Parent, or its designated committee, may elect to grant from time-to-time including the following:

(1) Automobile Allowance. The Company shall provide Executive, at no cost to Executive, the use of a company-owned or company-leased vehicle of a cost and quality reasonably acceptable to the Company but, in any event, equal to or exceeding the cost and quality of the vehicle presently used by Executive. The Company shall pay, or reimburse Executive for, all costs associated with operating, maintaining and insuring such automobile, provided such costs are itemized and presented to the company in writing and in a form as then prescribed by the Company in its policies for the reimbursement of employee business expenses;

(2) Regulatory Filings. The Company shall pay for all governmental and regulatory filings required by Executive solely as a result of his position as an officer or director of the Company or Parent, including, but not limited to, all Section 16 filings required by Executive. For avoidance of doubt, such filings would include SEC Forms 4 and 5 and Schedule 13G and FCC ownership reports and transfer applications and would not include other filings required in connection with the sale of company stock by Executive;

(3) Regulatory Filings/Fees Associated with Option Exercises. In the event Executive is required to make regulatory filings as a result of his exercise of options granted him by the Company for the purchase of stock of the Parent, the Company shall pay the cost of such filings, including any filing fee. The benefits provided in this Section 2(c)(3) shall include full reimbursement for any income and employment taxes applicable to such benefits;

(4) Travel and Entertainment Expenses. Reasonable, bona-fide Company-related entertainment and travel expenses incurred by Executive in accordance with the Employee Handbook, Code of Ethical Conduct, Financial Code of Conduct and other written policies, all as issued by the Company, relating thereto shall be reimbursed or paid by the Company; and,

(5) Health Benefit. Employer will pay the employee, spouse and dependents portions of the monthly group health care premiums on behalf of Executive.

3. Bonuses.

In addition to the other compensation of Executive as set forth herein, and subject to the provisions of Section 4 hereof, Executive shall be eligible for an annual merit bonus in an amount to be determined at the discretion of the Board of Directors of the Company, which bonus may be paid in cash, stock, stock options or a combination thereof.

4. Termination of Employment.

(a) Termination For Cause.

(1) Termination; Payment of Accrued Salary. The Board may terminate Executive's employment with the Company at any time for Cause (as hereinafter defined), immediately upon notice to Executive of the circumstances leading to such termination for Cause. In the event that Executive's employment is terminated for Cause, Executive shall receive payment for all accrued salary through the Termination Date, which in this event shall be the date upon which notice of termination is given. The Company shall have no further obligation to pay severance of any kind nor to make any payment in lieu of notice.

(2) Definition of Cause. For the purposes of this Agreement, "Cause" shall mean, without limitation, the following: (A) continued gross neglect, malfeasance or gross insubordination in performing duties assigned to Executive; (B) a conviction for a crime involving moral turpitude; (C) an egregious act of dishonesty (including without limitation theft or embezzlement) in connection with employment, or a malicious action by Executive toward Parent, Company, or their affiliates or related entities (together with Parent, collectively "Affiliates"); (D) a violation of the provisions of Section 6(a) hereof; (E) a willful breach of this Agreement; (F) disloyalty; and (G) material and repeated failure to carry out reasonably assigned duties or instructions consistent with Executive's position.

(b) Termination by Executive. Executive shall have the right, at his election, to terminate his employment with the Company by notice to the Company to that effect: (1) if the Company shall have failed to substantially perform a material condition or covenant of this Agreement ("Company's Material Breach") or (2) if the Company materially reduces or diminishes Executive's powers and responsibilities hereunder; provided, however, that a termination under clauses (1) and (2) of this Section 4(b) shall not be effective until Executive shall have given notice to the Company specifying the claimed breach and, provided such breach is curable, Company fails to correct the claimed breach within 30 days after the receipt of the applicable notice or such longer term as may be reasonably required by the Company due to the nature of the claimed breach (but within 10 days if the failure to perform is a failure to pay monies when due under the terms of this Agreement).

(c) Termination Upon Disability. The Company may terminate Executive's employment in the event Executive suffers any mental or physical impairment which prevents Executive at any time during the Term from performing the essential functions of his full duties for a period of 180 days within any 270 day period and Executive thereafter fails to return to work within 10 days of notice by the Company of intention to terminate ("Disability"). After the Termination Date, which in the event of a Disability shall be the date upon which notice of termination is given, no further compensation shall be payable under this Agreement except that Executive shall receive the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan plus severance equal to 100% of his then Base Salary for 15 months without offset for any disability payments Executive may receive, payable in equal monthly installments. After the Termination Date following a Disability, any then unvested or time-vested stock options previously granted to Executive by the Company shall become immediately one hundred percent (100%) vested.

(d) Termination Without Cause. In the event that, during the Term, Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b), the Company shall pay Executive as severance an amount equal to his then Base Salary for the longer of six months or the remainder of the Term, less standard withholdings for tax and social security purposes, payable in equal installments over six consecutive months, or, if longer, the number of months remaining in the Term, commencing immediately following termination, in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(e) Benefits Upon Termination. All benefits provided under Section 2(b) hereof shall be extended at the Executive's cost, to the extent permitted by the Company's insurance policies and benefit plans, for six months after Executive's Termination Date, except (i) as required by law (*e.g.* COBRA health insurance continuation election) or (ii) in the event of a termination by the Company pursuant to Section 4(a).

(f) Termination Upon Death. If Executive dies prior to the expiration of the Term, the Company shall (1) continue coverage of Executive's dependents (if any) under all applicable benefit plans or programs of the type listed above in Section 2(b) herein for a period of 12 months, to the extent permitted by the Company's insurance policies and benefit plans, and (2) pay to Executive's estate the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan. After the Termination Date, which in this event shall be the date of Executive's death, any then unvested or time-vested stock options previously granted to Executive by the Company shall become immediately one hundred percent (100%) vested.

(g) No Offset. Executive shall have no duty to mitigate any of his damages or losses and the Company shall not be entitled to reduce or offset any payments owed to Executive hereunder for any reason.

5. Right of First Refusal on Corporate Opportunities.

During the Term, Executive agrees that he shall, prior to exploiting a Corporate Opportunity (hereafter defined) for his own account or for the benefit of an immediate family member's account, offer the Company a right of first refusal with respect to such Corporate Opportunity. For purposes of this Section 5, "Corporate Opportunity" shall mean any business opportunity that is in the same or a related business as any of the businesses in which the Company or any of its Affiliates is involved. The determination as to whether a business opportunity constitutes a Corporate Opportunity shall be made by the Nominating and Corporate Governance Committee of Parent or a majority of the disinterested and independent members of the Board, and their determination shall be based on an evaluation of: (a) the extent to which the Corporate Opportunity is within the Company's or any of its Affiliates' existing lines of business or its existing plans to expand; (b) the extent to which the Corporate Opportunity supplements the Company's or any of its Affiliates' existing lines of activity or complements the Company's or any of its Affiliates' existing methods of service; (c) whether the Company has available resources that can be utilized in connection with the Corporate Opportunity; (d) whether the Company is legally or contractually barred from utilizing the Corporate Opportunity; (e) the extent to which utilization of the Corporate Opportunity by Executive would create conflicts of interest with the Company or any of its Affiliates; and (f) any other factors the Nominating and Corporate Governance Committee or such disinterested and independent Board members deem(s) appropriate under the circumstances.

6. Executive's Obligations.

(a) Confidential Information. Executive agrees that, during the Term or at any time thereafter:

(1) Executive shall not use for any purpose other than the duly authorized business of Company, or disclose to any third party, any information relating to Company or any of its Affiliates which is proprietary to Company or any of its Affiliates ("Confidential Information"), including any customer list, contact information, rate schedules, programming, data, plans, intellectual property, trade secret or any written (including in any electronic form) or oral communication incorporating Confidential Information in any way (except as may be required by law or in the performance of Executive's duties under this Agreement consistent with Company's policies) regardless of whether or not such information has been labeled as "confidential"; and

(2) Executive shall comply with any and all confidentiality obligations of Company to a third party, whether arising under a written agreement or otherwise.

(b) Work For Hire.

(1) The results and proceeds of Executive's services to Company, including, without limitation, any works of authorship resulting from Executive's services during Executive's employment with Company and/or any of its Affiliates and any works in progress resulting from such services, shall be works-made-for-hire and Company shall be deemed the sole owner of any and all rights of every nature in such works, whether such rights are now known or hereafter defined or discovered, with the right to use the works in perpetuity in any manner Company determines in its sole discretion without any further payment to Executive. If, for any reason, any of such results and proceeds are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to Company under the preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title and interest thereto, whether now known or hereafter defined or discovered, and Company shall have the right to use the work in perpetuity in any location and in any manner Company determines in its sole discretion without any further payment to Executive.

(2) Executive shall do any and all things which Company may deem useful or desirable to establish or document Company's rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents and, if Executive is unavailable or unwilling to execute such documents, Executive hereby irrevocably designates the Chief Executive Officer of Parent or his designee as Executive's attorney-in-fact with the power to execute such documents on Executive's behalf. To the extent Executive has any rights in the results and proceeds of Executive's services under this Agreement that cannot be assigned as described above, Executive unconditionally and irrevocably waives the enforcement of such rights.

(3) Works-made-for-hire do not include subject matter that meets all of the following criteria: (A) is conceived, developed and created by Executive on Executive's own time without using the Company's or any of its Affiliate's equipment, supplies or facilities or any trade secrets or confidential information, (B) is unrelated to the actual or reasonably anticipated business or research and development of Company or any of its Affiliates of which Executive is or becomes aware; and (C) does not result from any work performed by Executive for Company or any of its Affiliates.

(c) Return of Property. All documents, data, recordings, equipment or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for Executive and utilized by Executive in the course of Executive's employment with Company or any of its Affiliates shall remain the exclusive property of Company and shall not be removed from the premises of the Company under any circumstances whatsoever without the prior written consent of the Company, except when (and only for the period) necessary to carry out Executive's duties hereunder, and if removed shall be immediately returned to the Company upon any termination of his employment and no copies thereof shall be kept by Executive; provided, however, that Executive shall be entitled to retain documents reasonably related to his prior interest as a shareholder. Upon termination of employment, Executive shall promptly return all property of Company or any of its Affiliates.

(d) Use of Executive's Name, Image and Likeness Company may make use of Executive's name, photograph, drawing or other likeness in connection with the advertising or the giving of publicity to Company, Parent or a program broadcast or content provided by Company, Parent or any Affiliates. In such regard, Company may make recordings, transcriptions, videotapes, films and other reproductions of any and all actions performed by Executive in his or her capacity as an Executive of Company, including without limitation any voice-over or announcing material provided by Executive (collectively "Executive Performances"). Company shall have the right to broadcast, display, license, assign or use any Executive Performances on a royalty-free basis without additional compensation payable to Executive.

7. Noninterference.

While employed by the Company and for a period of two years thereafter, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing, or otherwise causing any executive or material employee of the Company or any of its Affiliates to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any other Company.

8. Noncompetition.

Because of the need to protect the Company's business interests, including confidential information known by Executive, and as consideration for Company's offer to employ Executive for the Term, Executive agrees that during the Term and for a period of two years thereafter, he shall not, without the prior consent of the Company, directly or indirectly, be employed by, be connected with, or have an interest in, as an employee, consultant, officer, director, partner, stockholder or joint venturer, in any person or entity owning, managing, controlling, operating or otherwise participating or assisting in any business that is in competition with the business of the Company or any of its Affiliates (a) during the Term, in any location, and (b) for the two-year period following the termination of this Agreement, in any province, state or jurisdiction in the United States in which the Company or any of its Affiliates was conducting business at the date of termination of Executive's employment and continues to do so thereafter; provided, however, that the foregoing shall not prevent Executive from being a stockholder of less than one percent of the issued and outstanding securities of any class of a corporation listed on a national securities exchange or designated as national market system securities on an interdealer quotation system by the National Association of Securities Dealers, Inc. Notwithstanding the foregoing, this paragraph shall not operate to limit Executive's ability to provide non-confidential information to, serve on the board of directors of, or be employed by any 501(c)(3) organization, including any such organization operating non-commercial radio station(s).

9. Remedies.

Executive acknowledges that a breach or threatened breach by Executive of any of the provisions of Sections 5, 6, 7 or 8 will result in the Company and its stockholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of monetary damages alone. Accordingly, Executive agrees that the Company shall be entitled to interim, interlocutory and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which the Company may become entitled should there be such a breach or threatened breach.

10. Personal Conduct.

Executive agrees to promptly and faithfully comply with all present and future policies, requirements, directions, requests and rules and regulations of the Company in connection with the Company's business, including without limitation the policies and requirements set forth in Parent's Employee Handbook, including its Code of Ethics and Financial Code of Conduct. Executive further agrees to comply with all laws and regulations pertaining to Executive's employment with the Company. Executive hereby agrees not to engage in any activity that is in direct conflict with the essential interests of the Company or any of its Affiliates. Executive hereby acknowledges that nothing set forth in the Employee Handbook, including its Code of Ethics or Financial Code of Conduct or any other policy issued by the Company or Parent shall be deemed to create a separate contractual obligation, guarantee or inducement between Executive and the Company.

11. Indemnification.

The Company shall indemnify Executive to the fullest extent permitted by law, in effect at the time of the subject act or omission, and shall advance to Executive reasonable attorneys' fees and expenses as such fees and expenses are incurred (subject to an undertaking from Executive to repay such advances if it shall be finally determined by a judicial decision which is not subject to further appeal that Executive was not entitled to the reimbursement of such fees and expenses). Executive shall be entitled to the protection of any insurance policies that the Company may elect to maintain generally for the benefit of its directors and officers against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding (other than any action, suit or proceeding arising under or relating to this Agreement) to which Executive may be made a party by reason of his being or having been a director, officer or employee of the Company or any of its Affiliates, or his serving or having served any other enterprise as a director, officer or employee at the request of the Company. The Company covenants to maintain during Executive's employment for the benefit of Executive (in his capacity as an officer and director of the Company) Directors' and Officers' Insurance providing benefits to Executive no less favorable, taken as a whole, than the benefits provided to the other senior executives of the Company by the Directors' and Officers' Insurance maintained by the Company on the date hereof; provided, however, that the Board may elect to terminate Directors' and Officers' Insurance for all officers and directors, including Executive, if the Board determines in good faith that such insurance is not available or is available only at unreasonable expense.

12. Miscellaneous.

(a) Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of (1) personal delivery (including personal delivery by e-mail or fax), (2) on the first day after mailing by overnight courier, or (3) on the third day after mailing by first class mail, to the recipient at the address indicated below:

To the Company:

Salem Communications Holding Corporation
4880 Santa Rosa Road
Camarillo, California 93012
Attention: Christopher J. Henderson, Executive Vice President, General Counsel,
Secretary

To Executive:

Stuart W. Epperson
3780 Will Scarlet Road
Winston-Salem, NC 27104

or to such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

(b) Severability. If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and all remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

(c) Entire Agreement. This document constitutes the final, complete, and exclusive embodiment of the entire agreement and understanding between the parties related to the subject matter hereof and supersedes and preempts any prior or contemporaneous understandings, agreements, or representations by or between the parties, written or oral. Without limiting the generality of the foregoing, except as provided in this Agreement, all understandings and agreements, written or oral, relating to the employment of Executive by the Company or the payment of any compensation or the provision of any benefit in connection therewith or otherwise, are hereby terminated and shall be of no further force and effect.

(d) Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together shall constitute one and the same agreement.

(e) Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors and assigns, except that Executive may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the prior written consent of the Company.

(f) Amendments. No amendments or other modifications to this Agreement may be made except by a writing signed by both parties. No amendment or waiver of this Agreement requires the consent of any individual, partnership, corporation or other entity not a party to this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any third person any rights or remedies under or by reason of this Agreement.

(g) Attorneys' Fees. If any legal proceeding is necessary to enforce or interpret the terms of this Agreement, or to recover damages for breach therefore, the prevailing party shall be entitled to reasonable attorney's fees, as well as costs and disbursements, in addition to other relief to which he or it may be entitled.

(h) Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by the internal law, and not the law of conflicts, of the State of California.

(i) Resolution of Disputes. Company and Executive mutually agree to resolve any and all legal claims arising from or in any way relating to Executive's employment with Company through mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by binding arbitration under the Federal Arbitration Act subject to the terms and conditions provided below. Notwithstanding the foregoing, insured workers' compensation claims (other than wrongful discharge claims) and claims for unemployment insurance are excluded from arbitration under this Agreement. This Agreement does not prevent the filing of charges with administrative agencies such as the Equal Employment Opportunity Commission, the National Labor Relations Board, or equivalent state agencies. Arbitration shall be conducted in Ventura County, California in accordance with any of the following, at Executive's election: (a) the JAMS® Employment Rules of Procedure, or (b) the rules of procedure issued by another alternative dispute resolution service mutually acceptable to Executive and Company. Any award issued in accordance with this Section 12(i) shall be rendered as a judgment in any trial court having competent jurisdiction. Company shall pay the arbitration fees and expenses, less any filing fee amount the Executive would otherwise have to pay to pursue a comparable lawsuit in a United States district court in the jurisdiction where the dispute arises or state court in the jurisdiction where the dispute arises, whichever is less. All other rights, remedies, exhaustion requirements, statutes of limitations and defenses applicable to claims asserted in a court of law shall apply in the arbitration. Executive expressly waives any presumption or rule, if any, which requires this Agreement to be construed against the Company.

(j) Integration. This Agreement comprises the entire understanding of the parties with respect to the subject matter and shall supersede all other prior written or oral agreements, including without limitation the Old Employment Agreement.

{Continued on the following page.}

(k) Survival; Modification of Terms. No change in Executive's duties or salary shall affect, alter, or otherwise release Executive from the covenants and agreements contained herein. All post-termination covenants, agreements, representations and warranties made herein by Executive shall survive the expiration or termination of this Agreement or employment under this Agreement in accordance with their respective terms and conditions.

IN WITNESS WHEREOF, the parties have executed this agreement effective as of the date first written above.

"EXECUTIVE"

\s\ Stuart W. Epperson
Stuart W. Epperson

"COMPANY"

SALEM COMMUNICATIONS HOLDING CORPORATION

By: \s\ Edward G. Atsinger III
Edward G. Atsinger III
Chief Executive Officer

I hereby certify that the terms and conditions of this Employment Agreement have been reviewed and approved by the Compensation Committee of Salem Media Group, Inc.

Effective Date: January 3, 2021

\s\ Rich Riddle
Rich Riddle
Chairman of the Compensation Committee,
Salem Media Group, Inc.

AMENDMENT NUMBER FOUR TO CREDIT AGREEMENT AND WAIVER

This **AMENDMENT NUMBER FOUR TO CREDIT AGREEMENT AND WAIVER** (this "Amendment"), dated as of October 20, 2020 is entered into by and among the lenders signatory hereto (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively, the "Lenders"), **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), **SALEM MEDIA GROUP, INC.**, a Delaware corporation ("Parent"), the Subsidiaries of Parent identified on the signature pages hereof as "Borrowers", and those additional entities that hereafter become parties to the Credit Agreement (as defined below) as Borrowers in accordance with the terms thereof by executing the form of Joinder attached thereto as Exhibit J-1 (together with Parent, each, a "Borrower" and individually and collectively, jointly and severally, "Borrowers"). All initially capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Credit Agreement.

W I T N E S S E T H

WHEREAS, Borrowers, Agent, and Lenders are parties to that certain Credit Agreement, dated as of May 19, 2017, as amended by Amendment Number One dated as of July 28, 2017, as amended by Amendment Number Two dated as of November 16, 2018 and as further amended by Amendment Number Three dated as of April 7, 2020 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, Borrowers have informed Agent that the Designated Event of Default (as defined below) have occurred and are continuing which constitute Events of Default under the Credit Agreement;

WHEREAS, Borrowers have requested that Agent and Lenders make certain amendments to the Credit Agreement and waive the Designated Event of Default; and

WHEREAS, upon the terms and conditions set forth herein, Agent and Lenders are willing to make certain amendments to the Credit Agreement and waive the Designated Event of Default.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged the parties hereto hereby agree as follows:

1. **Amendments to Credit Agreement.** Subject to the satisfaction (or waiver in writing by Agent) of the conditions precedent set forth in Section 3 hereof, the Credit Agreement shall be amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the following defined terms in their entirety as follows:

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by Agent and Administrative Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBOR Rate for United States dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, notwithstanding anything contained herein to the contrary, the Benchmark Replacement shall not be less than 0.50% per annum.

"LIBOR Rate" means the greater of (a) 0.50% per annum, and (b) the rate per annum as published by ICE Benchmark Administration Limited (or any successor page or other commercially available source as the Agent may designate from time to time) as of 11:00 a.m., London time, two Business Days prior to the commencement of the requested Interest Period, for a term, and in an amount, comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Borrowers in accordance with this Agreement. Each determination of the LIBOR Rate shall be made by the Agent and shall be conclusive in the absence of manifest error.

(b) Section 11 of the Credit Agreement is hereby amended by (x) deleting K&L Gates LLP as the party to receive copies of notices or demands to any Loan Party, and (y) adding Rutan & Tucker, LLP as the party to receive copies of notices or demands to any Loan Party at the following address and facsimile number:

RUTAN & TUCKER, LLP
18757 Jamboree Rd., Suite 900
Irvine, CA 92612
Attn: Gregg Amber, Esq.
Fax No. (714) 546-9035

(c) Section 14.1(f) of the Credit Agreement is hereby amended by (x) deleting the "and" immediate before clause (ii) thereof, (y) replacing the "." at the end of clause (ii) thereof with a ",", and (z) inserting a new clause (iii) immediately after clause (ii) thereof as follows:

and, (iii) any amendment contemplated by Section 2.12(d)(iii) of this Agreement in connection with a Benchmark Transition Event or an Early Opt-in Election shall be effective as contemplated by such Section 2.12(d)(iii) hereof.

2. **Waivers.** The provisions of the Credit Agreement and the other Loan Documents to the contrary notwithstanding, subject to the satisfaction (or waiver in writing by Agent) of the conditions precedent set forth in Section 3 hereof, Agent and Lenders hereby waive:

(a) only with respect to the Covenant Testing Period (the "Current Covenant Testing Period") commencing on June 26, 2020 ("Covenant Trigger Event Date"), the requirement that the Current Covenant Testing Period continue through and including the first day after the Covenant Trigger Event Date that Availability has equaled or exceeded the greater of (a) 15% of the Maximum Revolver Amount, and (b) $4,500,000 for 60 consecutive days. and instead shall require, that the Current Covenant Testing Period continue through and including the first day after the Covenant Trigger Event Date that Availability has equaled or exceeded the greater of (a) 15% of the Maximum Revolver Amount, and (b) $4,500,000; provided that, it is understood and agreed that the Covenant Testing Period shall otherwise continue to be determined in accordance with the Credit Agreement. For the avoidance of doubt, the waiver described herein shall be a one-time waiver and shall only apply to the Current Covenant Testing Period and no other Covenant Testing Period; and

(b) the Event of Default under Section 8.2(a)(i) of the Credit Agreement arising from the failure by Borrowers to timely deliver to Agent the financial statements, reports and other items set forth in Sections (a) and (b) of Schedule 5.1 of the Credit Agreement pursuant to and in accordance with Section 5.1(a) of the Credit Agreement for the month ending July 31, 2020 (the "July Financial Statements"); provided that, Borrowers shall deliver to Agent the July Financial Statements on or before September 30, 2020 (the "Designated Event of Default");

provided, that nothing herein, nor any communications among Parent, Borrowers, any Guarantor, Agent, or any Lender, shall be deemed a waiver with respect to any Events of Default (other than the Designated Event of Default), or any future failure of Parent, Borrowers or any Guarantor to comply fully with any provision of the Credit Agreement or any provision of any other Loan Document, and in no event shall this waiver be deemed to be a waiver of enforcement of any of Agent's or Lenders' rights or remedies under the Credit Agreement and the other Loan Documents, at law (including under the Code), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 9.1 of the Credit Agreement, with respect to any other Defaults or Events of Default now existing or hereafter arising. Except as expressly provided herein, Agent and each Lender hereby reserves and preserves all of its rights and remedies against Parent, Borrowers and any Guarantor under the Credit Agreement and the other Loan Documents, at law (including under the Code), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 9.1 of the Credit Agreement.

3. **Conditions Precedent to Amendment**. The satisfaction (or waiver in writing by Agent) of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the "Amendment Effective Date"):

(a) Agent shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Borrower, any Guarantor, Agent, any other member of the Lender Group, or any Bank Product Provider.

(c) Borrowers shall have paid, in immediately available funds, all Lender Group Expenses referred to in Section 5 hereof.

(d) After giving effect to this Amendment, the representations and warranties of each Loan Party or its Subsidiaries contained in the Credit Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

(e) No Default or Event of Default shall have occurred and be continuing as of the Amendment Effective Date, nor shall either result from the consummation of the transactions contemplated herein.

4. **Representations and Warranties**. Each Loan Party hereby represents and warrants to Agent and each Lender as follows:

(a) It and each of its Subsidiaries (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Amendment and any other Loan Documents to which it is a party and to carry out the transactions contemplated hereby and thereby.

(b) The execution, delivery, and performance by such Loan Party of this Amendment and the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Loan Party.

(c) The execution, delivery, and performance by such Loan Party of this Amendment and the other Loan Documents to which it is a party do not and will not (i) violate any material provision of federal, state, or local law or regulation applicable to any Loan Party or its Subsidiaries, the Governing Documents of any Loan Party or its Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party or its Subsidiaries, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement of any Loan Party or its Subsidiaries where any such conflict, breach or default could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Loan Party, other than Permitted Liens, or (iv) require any approval of any holder of Equity Interests of a Loan Party or any approval or consent of any Person under any material agreement of any Loan Party, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of material agreements, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect.

(d) This Amendment has been duly executed and delivered by each Loan Party. This Amendment and each Loan Document is the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein has been issued and remains in force by any Governmental Authority against any Borrower, any Guarantor, Agent, any member of the Lender Group, or any Bank Product Provider.

(f) No Default or Event of Default has occurred and is continuing on the date hereof or as of the Amendment Effective Date.

(g) The representations and warranties set forth in this Amendment, the Credit Agreement, and the other Loan Documents to which it is a party are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

5. **Payment of Costs and Expenses**. Borrowers shall pay to Agent all Lender Group Expenses (including, without limitation, the reasonable fees and expenses of any attorneys retained by Agent or any Lender) in connection with the preparation, negotiation and execution of this Amendment and the review of all documents incidental thereto in accordance with the terms of the Credit Agreement.

6. **Payment of Legal Fees.** Within three (3) Business Days of the date hereof, Borrowers shall pay to Paul Hastings LLP all fees and disbursements invoiced to Agent and Borrowers in connection with this Amendment and/or the other Loan Documents in accordance with the wire instructions set forth in Schedule A, attached hereto. Failure of Borrowers to pay such fees and disbursements on or before such date shall result in an Event of Default.

7. **Release**.

(a) Effective on the date hereof, each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges Agent and each Lender, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lenders would be liable if such persons or entities were found to be liable to such Borrower or such Guarantor (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, which such Borrower or such Guarantor ever had from the beginning of the world, now has, or might hereafter have against any such Releasee which relates, directly or indirectly to the Credit Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Credit Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Borrower and each Guarantor hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

As to each and every Claim released hereunder, each Borrower and each Guarantor also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Borrower and each Guarantor acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Borrower and each Guarantor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Borrower and each Guarantor, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by such Person pursuant to the above release. Each Borrower and each Guarantor further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Agent's Lien on any item of Collateral under the Credit Agreement or the other Loan Documents. If any Borrower, any Guarantor, or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by such Releasee as a result of such violation.

8. **CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION. THIS AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE PROVISION SET FORTH IN SECTION 12 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.**

9. **Amendments**. This Amendment cannot be altered, amended, changed or modified in any respect except in accordance with Section 14.1 of the Credit Agreement.

10. **Counterparts; Electronic Execution**. This Amendment and any notices delivered under this Amendment, may be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment or on any notice delivered to Agent under this Amendment. This Amendment and any notices delivered under this Amendment, may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment and any notices delivered under this Amendment, by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment or notice. Any party delivering an executed counterpart of this Amendment or any notice under this Amendment, by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment or notice, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment or notice.

11. **Effect on Loan Documents.**

(a) The Credit Agreement and each of the other Loan Documents, as amended as of the date hereof, shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Agent or any Lender under the Credit Agreement or any other Loan Document. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and other Loan Documents shall remain unchanged and in full force and effect. The waivers, consents and modifications set forth herein are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the same are based, shall not excuse future non-compliance with the Loan Documents nor operate as a waiver of any Default or Event of Default, shall not operate as a consent to any further waiver, consent or amendment or other matter under the Loan Documents, and shall not be construed as an indication that any future waiver or amendment of covenants or any other provision of the Credit Agreement will be agreed to, it being understood that the granting or denying of any waiver or amendment which may hereafter be requested by any Borrower remains in the sole and absolute discretion of Agent and Lenders. To the extent that any terms or provisions of this Amendment conflict with those of the Credit Agreement or the other Loan Documents, the terms and provisions of this Amendment shall control.

(b) Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

(c) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement.

(d) This Amendment is a Loan Document.

12. **Entire Agreement**. This Amendment, and the terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

13. **Integration**. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

14. **Ratification**. Each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and the Loan Documents effective as of the date hereof and as amended hereby.

15. **Reaffirmation of Obligations.** Each Borrower hereby (a) acknowledges and reaffirms its obligations owing to Agent, each member of the Lender Group, and the Bank Product Providers under each Loan Document to which it is a party, and (b) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Each Borrower hereby (i) further ratifies and reaffirms the

validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in connection with the Guaranty and Security Agreement or any other Loan Document to Agent, on behalf and for the benefit of each member of the Lender Group and each Bank Product Provider, as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Amendment).

16. **Severability**. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[*Signature pages follow.*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the date first written above.

PARENT AND A BORROWER:	**SALEM MEDIA GROUP, INC.,** a Delaware corporation
	By: /s/ Evan Masyr Name: Evan Masyr Title: EVP & CFO
BORROWERS:	**AIR HOT, INC.** **BISON MEDIA, INC.** **INSPIRATION MEDIA, INC.** **NEW INSPIRATION BROADCASTING COMPANY, INC.** **NI ACQUISITION CORP.** **REACH SATELLITE NETWORK, INC.** **SALEM CONSUMER PRODUCTS, INC.** **SALEM COMMUNICATIONS HOLDING CORPORATION** **SALEM MEDIA OF COLORADO, INC.** **SALEM MEDIA OF HAWAII, INC.** **SALEM MEDIA OF OHIO, INC.** **SALEM MEDIA OF OREGON, INC.** **SALEM MEDIA OF TEXAS, INC.** **SALEM MEDIA REPRESENTATIVES, INC.** **SALEM RADIO NETWORK INCORPORATED** **SALEM RADIO PROPERTIES, INC.** **SCA LICENSE CORPORATION** **SRN NEWS NETWORK, INC.** **SRN STORE, INC.**
	By: /s/ Evan Masyr Name: Evan Masyr Title: EVP & CFO

[SIGNATURE PAGE TO AMENDMENT NUMBER FOUR TO CREDIT AGREEMENT AND WAIVER]

BORROWERS:

INSPIRATION MEDIA OF TEXAS, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM MEDIA OF ILLINOIS, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM MEDIA OF MASSACHUSETTS, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM MEDIA OF NEW YORK, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM RADIO OPERATIONS, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM SATELLITE MEDIA, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SALEM WEB NETWORK, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

SCA-PALO ALTO, LLC
BY: SCA LICENSE CORPORATION,
its Managing Member

By: /s/ Evan Masyr
Name: Evan Masyr
Title: EVP & CFO

EAGLE PRODUCTS, LLC
BY: SALEM COMMUNICATIONS HOLDING CORPORATION,
its Managing Member

By: /s/ Evan Masyr
Name: Evan Masyr
Title: EVP & CFO

[SIGNATURE PAGE TO AMENDMENT NUMBER FOUR TO CREDIT AGREEMENT AND WAIVER]

AGENT AND LENDER:	**WELLS FARGO BANK, NATIONAL ASSOCIATION,** a national banking association, as Agent and as a Lender
	By: /s/ Krista Mize Name: Krista Mize Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NUMBER FOUR TO CREDIT AGREEMENT AND WAIVER]

Schedule A

Paul Hastings LLP Wire Instructions

Citibank
ABA # 322271724
SWIFT Address: CITIUS33
787 W. 5th Street
Los Angeles, CA 90071
Account Number: 206628380
Account Name: Paul Hastings LLP

* *For wires, please reference the invoice, client and matter number(s) being paid.*

Financial Code of Conduct

Salem Media Group, Inc. (the "Company") has always held itself and its directors and employees to the highest standards of ethical behavior in all business dealings. These standards include an expectation that the integrity of the Company's financial reporting will never be compromised. All Salem employees and directors have a primary responsibility to ensure that all Company transactions are properly accounted for in the Company's accounting records and reflected on the Company's public reports.

It is appropriate to adopt a code of conduct uniquely applicable to financial matters and which supplements the Code of Ethics to which all employees of the Company are subject.

Specifically, each person subject to this Code of Conduct will at all times:

1. If working on financial documents and matters, ensure that external and internal financial data, and other information contained in the Company's public reports (a) present the facts in accordance with United States Generally Accepted Accounting Principles (GAAP) fairly and completely, and (b) accurately, timely and understandably set forth the facts they purport to represent.
2. Uphold honest and ethical conduct, especially in relation to the handling of actual and apparent conflicts of interest.
3. Report any conflicts of interest or any violation or suspected violation of this code of ethics as described below.
4. Ensure the Company is in full compliance with the law, all applicable rules and regulations, and Company policy, both in letter and in spirit.
5. Refrain from using the Company's confidential information, Company resources or corporate opportunities learned in the course of one's work for personal advantage without prior written approval from their supervisor.

Any person who violates this Code of Conduct is subject to disciplinary action, which may include termination of employment. The same is true of people who know of but fail to report another employee or director's violation of law or Company policy.

Any person who has reason to believe or suspect that this Ethical Code has been violated should immediately report the basis for such belief or suspicion to the Company. The report can be made through the Company's Ethics Helpline either telephonically (at 866-224-2163) or via the Internet (at www.SalemEthics.com). Reports to the Company's Ethics Helpline may be left anonymously, but the more information provided the greater ability the Company will have to investigate.

EXHIBIT 21

SUBSIDIARIES OF SALEM MEDIA GROUP, INC.

Name	State of Formation
Air Hot, Inc.	Delaware
Bison Media, Inc.	Colorado
Salem Communications Holding Corporation	Ohio
Eagle Products, LLC	Delaware
Inspiration Media, Inc.	Washington
Inspiration Media of Texas, LLC	Texas
New Inspiration Broadcasting Company, Inc.	California
NI Acquisition Corporation	California
Reach Satellite Network, Inc.	Tennessee
Salem Consumer Products, Inc.	Delaware
Salem Media of Colorado, Inc.	Colorado
Salem Media of Hawaii, Inc.	Delaware
Salem Media of Illinois, LLC	Delaware
Salem Media of Massachusetts, LLC	Delaware
Salem Media of New York, LLC	Delaware
Salem Media of Ohio, Inc.	Ohio
Salem Media of Oregon, Inc.	Oregon
Salem Media of Texas, Inc.	Texas
Salem Media Representatives, Inc.	Texas
Salem News Channel, LLC	Delaware
Salem Radio Network Incorporated	Delaware
Salem Radio Operations, LLC	Delaware
Salem Radio Properties, Inc.	Delaware
Salem Satellite Media, LLC	Delaware
Salem Web Network, LLC	Delaware
SCA License Corporation	Delaware
SCA-Palo Alto, LLC	Delaware
SRN News Network, Inc.	Texas
SRN Store, Inc.	Texas

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-40494, 333-113794, 333-125056, 333-182807, 333-231460 and 333-232684 on Form S-8 and 333-233861 on Form S-3 of Salem Media Group, Inc. of our report dated March 4, 2021 relating to the financial statements appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Sherman Oaks, California
March 4, 2021

EXHIBIT 23.2

[Bond & Pecaro, Inc. letterhead]

Consent of Bond & Pecaro, Inc.

We hereby consent for Salem Medai Group, Inc. (the “Company”) to use Bond & Pecaro, Inc. name and data from our work product as of December 31, 2020 in public filings with the Securities and Exchange Commission.

/s/ Bond & Pecaro, Inc.

Bond & Pecaro, Inc.

January 1, 2021
Washington, D.C.

EXHIBIT 31.1

I, Edward G. Atsinger III, certify that:

1. I have reviewed this annual report on Form 10-K of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2021

/s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
Chief Executive Officer

EXHIBIT 31.2

I, Evan D. Masyr, certify that:

1. I have reviewed this annual report on Form 10-K of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2021

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

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as Chief Executive Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 4, 2021

By: /s/ EDWARD G. ATSINGER III
Edward G. Atsinger III
Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as Executive Vice President and Chief Financial Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 4, 2021

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