

SALEM MEDIA GROUP, INC. /DE/  
Form 11-K  
June 26, 2015

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

\_\_\_\_\_  
**FORM 11-K**  
\_\_\_\_\_

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS**

**PURSUANT TO SECTION 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

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

**For the fiscal year ended December 31, 2014**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-26497**

**SALEM MEDIA GROUP, INC. EMPLOYEES 401(k) PLAN**

**(Full title of the plan)**

**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 No.)**

**4880 SANTA ROSA ROAD**

**CAMARILLO, CALIFORNIA**

**(Address of principal executive offices)**

**93012**

**(Zip Code)**

**(805) 987-0400**

**(Registrant's telephone number, including area code)**

**SALEM MEDIA GROUP, INC. EMPLOYEES 401(k) Plan**

Financial Statements as of December 31, 2014 and 2013, and for the Year Ended December 31, 2014, and Supplemental Schedule as of December 31, 2014, and Report of Independent Registered Public Accounting Firm

**SALEM MEDIA GROUP, INC EMPLOYEES 401(k) PLAN**

**TABLE OF CONTENTS**

	Page Number
Report of Independent Registered Public Accounting Firm	2
Financial Statements	
Statements of Net Assets Available for Benefits as of December 31, 2014 and 2013	3
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2014	4
Notes to Financial Statements as of December 31, 2014 and 2013, and for the Year Ended December 31, 2014	5
Supplemental Schedule	
Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2014	15
Signatures	16
Exhibit 23.1 - Consent of Independent Registered Public Accounting Firm	17
Exhibit 99.1 - Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	18
All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Participants and the Retirement Committee

Salem Media Group, Inc. Employees 401(k) Plan

Camarillo, California

We have audited the accompanying statements of net assets available for benefits of Salem Media Group, Inc. Employees 401(k) Plan (formerly known as Salem Communications Corporation Employees 401(k) Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014 in conformity with U.S. generally accepted accounting principles.

The supplemental Form 5500, Schedule H, Part IV, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of Salem Media Group, Inc. Employees 401(k) Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for

Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe Horwath LLP

South Bend, Indiana

June 26, 2015

*/s/ Crowe Horwath LLP*

**FINANCIAL STATEMENTS**

## Salem Media Group, Inc. Employees 401(k) Plan

## Statements of Net Assets Available For Benefits

	December 31,	
	2014	2013
<b>Assets</b>		
Non-Interest bearing cash	\$ 1,504	\$ 794
Investments, at fair value		
Mutual funds	49,841,459	41,488,790
Collective trusts	5,029,816	5,710,392
Salem Media Group, Inc. Common Stock	171,985	143,724
Total investments	55,043,260	47,342,906
Receivables		
Notes receivable participant loans	1,483,680	1,169,198
Employer contributions	--	290
Participant contributions	--	641
Total receivables	1,483,680	1,170,129
<b>Total assets, reflecting all investments at fair value</b>	<b>\$ 56,528,444</b>	<b>\$ 48,513,829</b>
Adjustments from fair value to contract value for collective trusts	(69,445)	(45,320)
<b>Net assets available for benefits</b>	<b>\$ 56,458,999</b>	<b>\$ 48,468,509</b>

See accompanying notes





Salem Media Group, Inc. Employees 401(k) Plan

Statement of Changes in Net Assets Available For Benefits

	<b>Year Ended December 31, 2014</b>
<b>Additions to net assets attributable to:</b>	
<b>Investment Activities</b>	
Interest and dividends	\$ 785,234
Net appreciation in fair value of investments	2,480,702
Total investment income	3,265,936
Interest from notes receivable participant loans	55,474
<b>Other Activities</b>	
Contributions	
Participant	5,087,267
Rollovers	373,586
Employer match	1,648,373
Total contributions	7,109,226
Total additions	10,430,636
<b>Deductions from net assets attributable to:</b>	
Benefits paid to participants	2,186,068
Administrative expenses	254,078
Total deductions	2,440,146
Net increase	7,990,490
Net assets available for benefits, beginning of year	48,468,509
Net assets available for benefits, end of year	<b>\$ 56,458,999</b>

See accompanying notes



**Salem Media Group, Inc. Employees 401(k) Plan**

Notes to Financial Statements

As Of December 31, 2014 and 2013, And For the Year Ended December 31, 2014

**1.**

**DESCRIPTION OF THE PLAN**

The following description of the Salem Media Group, Inc. (the Company or Employer ) Employees 401(k) Plan (the Plan ) is provided for general information purposes only. Participants should refer to the Plan Document for a complete description of the Plan s provisions. The Company and the Plan changed its name from Salem Communications Corporation to Salem Media Group, Inc. effective February 19, 2015.

*General*

The Plan is a defined contribution plan covering all eligible employees of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ).

*Eligibility*

Employees are automatically entered into the Plan immediately upon eligibility. Eligible employees must be at least twenty-one years of age. At any time, eligible employees may complete a salary reduction agreement selecting an alternative deferral amount or to elect not to defer under the Plan.

*Contributions*

Participants may contribute a portion of their pre-tax or after-tax annual compensation, as defined by the Plan, limited to a maximum annual amount specified by the Internal Revenue Service of \$17,500 in 2014 for employees under age 50 and \$23,000 in 2014 for employees age 50 and over. Beginning on January 1, 2013, The Plan has an auto-escalation feature whereby contributions for participant s enrolled on or before September 30, 2012 are increased 1% each year, up to a maximum of 5%, unless changed by the participant. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The employer s matching contributions for each Plan participant are 50% of eligible contributions on the first 5% of compensation.

***Participant Accounts***

An account is maintained for each participant in the Plan, which shows the participant's separate interest in the Plan's net assets. Participants elect the fund(s) in which they invest. Participant's accounts are credited with their voluntary contributions, the Company's matching contributions, and allocations of Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

***Vesting***

Participants are immediately vested in their voluntary contributions and actual earnings thereon. Vesting in the Company's matching contribution is based on the number of years of continuous service. A participant is 34% vested after one year of continuous service, 67% vested after two years of continuous service and 100% vested after three years of continuous service.

***Notes Receivable Participant Loans***

Participants who are actively employed may apply for a loan from the Plan subject to limitations and conditions in the Plan loan policy. Participants may borrow a minimum of \$1,000 up to a maximum amount of equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loan transactions are treated as a transfer to (from) the investment fund from (to) the participant loan fund. Loan terms range from one to five years or up to ten years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the current prime rate plus one percent. Principal and interest on the loans are paid ratably through payroll deductions.

At December 31, 2014 and 2013, the Plan had loans outstanding from participants totaling \$1,483,680 and \$1,169,198, respectively. Interest rates on the outstanding loans range from 4% to 10.25% with maturities through 2024. Unpaid balances of any loan are immediately payable upon termination of employment and may be offset against the participant's vested account.

***Payments of Benefits and Withdrawals***

If a participant's employment ceases as a result of normal retirement, death or disability, the participant or the participant's beneficiaries, are entitled to receive the entire balance of the participant's account. If a participant terminates for any other reason, the participant is entitled to receive only the vested portion of their account. Participants can receive Plan benefits in either a single lump sum or in periodic payments as determined by the type of termination.

In-service distributions may be made from any of the participant's vested accounts as long as the age requirement of 59½ years is met. Participants who do not meet the age requirement for an in-service withdrawal may request a hardship withdrawal at any time. Events that qualify for a hardship withdrawal are as follows: to cover necessary medical care, for costs directly related to the purchase of the participant's primary residence, for expenses related to post-secondary education, for payments necessary to prevent the participant's eviction from or foreclosure of the primary residence, funeral expenses, or a natural disaster. If a participant takes a hardship withdrawal, all contributions to the Plan will be suspended for six months.

***Forfeitures***

Forfeitures of terminated participants' non-vested accounts arising from Company matching can be used to pay administrative expenses under the Plan or to reduce future Company contributions. At December 31, 2014 and 2013, the balance in the forfeiture account was \$10,024 and \$156,407, respectively. During the year ended December 31, 2014, the Company applied \$59,618 of forfeitures to pay for plan administrative fees and \$78,795 to offset employer matching contributions.

***Plan Termination***

Under the Plan, the Company has the right to suspend, modify or terminate the Plan at any time.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles ( GAAP ).

***Fully Benefit Responsive Investment Contracts***

The Plan holds indirect interests in fully benefit responsive investments contracts through its investment in stable value funds. Investment contracts held by defined-contribution plans are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

***Valuation of Investments and Income Recognition***

Investments are reported at fair value. Fair value is 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. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

***Net Appreciation (Depreciation) in Fair Value of Investments***

Realized and unrealized appreciation (depreciation) in the fair value of investments is based on the difference between the fair value of the assets at the beginning of the year, or at the time of purchase for assets purchased during the year, and the related fair value on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year for unrealized appreciation (depreciation).

Realized and unrealized appreciation (depreciation) is recorded in the accompanying Statement of Changes in Net Assets Available for Benefits as net appreciation in fair value of investments.

***Investment Management and Administration***

The assets of each fund within the Plan are invested under an arrangement with Wells Fargo Bank, N.A. ( Wells ), as trustee. Investment management fees are charged to the Plan as a reduction of investment return and included in the investment income reported by the Plan.

All expenses incurred in maintaining the Plan are paid by the Plan unless the Company, at its discretion, elects to pay all or part of these expenses. These expenses include fees of the Plan's trustee and third-party administrators.

Costs of administering the Plan may be paid by the Plan or by the Company. Administrative costs include fees paid to accountants, attorneys and third party administrators. For the year ended December 31, 2014, the Plan incurred administrative expenses of \$254,078.

***Investment Options***

The Plan provides a variety of investment options with differing risk and growth characteristics. As of December 31, 2014, the Plan's net assets available for benefits were invested in investment funds under the management of Wells as Trustee. Participants may change their investment allocation and/or transfer their account balances among the various funds at any time.



Participants may elect to purchase shares of the Company's common stock. Participants purchased 9,722 Shares during the year ending December 31, 2014.

### ***Contributions***

Contributions from the Company are accrued in the period when earned.

### ***Payment of Benefits***

Benefit payments to participants are recorded upon issuance of disbursement.

### ***Notes Receivable Participants Loans***

Notes receivable represent the balance of participant loans recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on participant loans is recorded as earned. Related fees are recorded as administrative expenses and are expensed as incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ materially from those estimates.

### ***Risks and Uncertainties***

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

### ***Recent Accounting Pronouncements***

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate*

*Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820. ASU 2015-07 is effective for the Plan retrospectively for the year ending December 31, 2016 with early adoption permitted. The Plan's managing committee did not early adopt the provision and is currently evaluating the impact of ASU 2015-07 on the Plan's financial statements.

### **3. INVESTMENTS**

Fair value is the price that would be received by the Plan for an asset or paid by the Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's principal or most advantageous market for the asset or liability. Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, provides guidance for defining, measuring, and disclosing fair value within an established framework and hierarchy. The three levels of inputs within the fair value hierarchy are defined as follows:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Plan has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3:* Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments apply to investments held directly by the Plan.

Mutual Funds: The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges. The fair values of mutual fund investments are based upon the closing net asset value per share of the mutual fund on the day of the valuation as reflected on a national securities exchange, which is a Level 1 input in the fair value hierarchy.

Collective Trusts: The fair values of participation units in the stable value collective trusts are based upon the net asset values of such funds, after adjustments to reflect all fund investments at fair value, including direct and indirect interests in fully benefit-responsive contracts, as reported in the audited financial statements of the fund, which are Level 2 inputs in the fair value hierarchy.

Salem Media Group, Inc. Common Stock: The fair values of Salem Media Group, Inc. common stock are determined by quoted prices from the NASDAQ exchange as of December 31, 2014, and December 31, 2013, which are a Level 1 input in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, a summary of the Plan's investments measured at fair value on a recurring basis at December 31, 2014 and 2013:

	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b><u>Mutual Funds</u></b>				
Target Date	\$ 21,488,249	\$ 21,488,249	\$ -	\$ -
Large Growth	5,066,795	5,066,795		
Mid-Cap Growth	4,361,075	4,361,075		
Intermediate-Term Bond	2,508,117	2,508,117		
Real Estate	1,936,756	1,936,756		
Foreign Large Blend	1,789,878	1,789,878		
Large Value	2,620,175	2,620,175		
Large Blend	2,708,604	2,708,604		
Small Blend	2,004,525	2,004,525		
Mid-Cap Value	1,534,900	1,534,900		
Retirement Income	502,355	502,355		
Small Growth	1,060,154	1,060,154		
Diversified Emerging Markets	432,570	432,570		
Multi-Sector Bond	265,861	265,861		
High-Yield Bond	471,170	471,170		
World Bond	270,212	270,212		
Small Value	347,508	347,508		
Short-Term Bond	472,555	472,555		
<b><u>Collective Trust</u></b>				
Collective Trust - Stable Value Fund	5,029,816		5,029,816	
<b><u>Salem Media Group, Inc. Common Stock</u></b>				
Company stock	171,985	171,985		
	\$ 55,043,260	\$ 50,013,444	\$ 5,029,816	\$ -



There were no transfers between Level 1 and Level 2 investments during 2014.

	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b><u>Mutual Funds</u></b>				
	\$	\$	\$	\$
Target Date	17,534,965	17,534,965	-	-
Large Growth	4,571,875	4,571,875	-	-
Mid-Cap Growth	4,128,490	4,128,490	-	-
Intermediate-Term Bond	2,282,070	2,282,070	-	-
Real Estate	1,398,874	1,398,874	-	-
Foreign Large Blend	1,727,165	1,727,165	-	-
Large Value	1,970,396	1,970,396	-	-
Large Blend	1,618,598	1,618,598	-	-
Small Blend	1,896,760	1,896,760	-	-
Mid-Cap Value	1,215,747	1,215,747	-	-
Retirement Income	536,410	536,410	-	-
Small Growth	994,458	994,458	-	-
Diversified Emerging Markets	370,986	370,986	-	-
Multi-Sector Bond	196,451	196,451	-	-
High-Yield Bond	261,400	261,400	-	-
World Bond	195,402	195,402	-	-
Small Value	164,466	164,466	-	-
Short-Term Bond	424,277	424,277	-	-
<b><u>Collective Trust</u></b>				
Collective Trust - Stable Value Fund	5,710,392	-	5,710,392	-
<b><u>Salem Media Group, Inc. Common Stock</u></b>				
Company stock	143,724	143,724	-	-
	\$	\$	\$	\$
	47,342,906	41,632,514	5,710,392	-

The Plan's investments that represented 5% or more of the Plan's net assets available for benefits as of December 31, 2014 and 2013 are as follows:

**December 31, 2014**      December 31, 2013

Vanguard Target Retirement 2020	<b>5,291,720</b>	4,563,448
Wells Fargo Stable Return Fund N15	<b>5,029,816</b>	5,710,392
Vanguard Target Retirement 2030	<b>4,996,086</b>	4,474,692
Wells Fargo Advantage Growth Inv	<b>4,403,952</b>	4,397,336

During 2014, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated (depreciated) in value by a net amount of \$2,480,702 as follows:

	<b>For the year ending December 31, 2014</b>
Salem Media Group, Inc. Common Stock	\$ (16,963)
Collective trusts	70,327
Mutual funds	2,427,338
	<b>\$ 2,480,702</b>

#### **4. BENEFIT RESPONSIVE INVESTMENT CONTRACTS**

The Plan holds participation units in the stable value collective trust of the Wells Fargo Stable Value Fund ( WF fund ).

The WF fund invests in investment contracts and security-backed contracts issued by a financial institution, with the objective of providing a moderate level of stable income without principal volatility. The fund generally provides for daily redemptions by the Plan at reported net asset value per share, without any advance notification. However, redemptions by Plan participants to reinvest in options that compete with the fund may be delayed for up to 90 days.

#### **5. PARTY-IN-INTEREST TRANSACTIONS**

Parties-in-interest are defined under Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. Certain Plan investments are shares of funds, including mutual funds and collective trust funds, managed by the Plan Trustee or an affiliate of the Plan Trustee. Costs of administering the Plan, which shall include the fees of accountants, attorneys and third party administrators, may be paid by the Plan or by the Company. Notes receivable from participants held by the Plan are also considered party-in-interest transactions.

At December 31, 2014 the Plan held 21,992 shares of common stock of Salem Media Group, Inc., the sponsoring employer. Cash distributions on common stock of Salem Media Group, Inc. for the 2014 plan year were \$4,771. At December 31, 2013 the Plan held 16,520 shares of common stock of Salem Media Group, Inc.

#### **6. PLAN TERMINATION**

The Company has not expressed any intent to terminate the Plan. If the Plan were to be terminated, the termination would be subject to provisions set forth by ERISA, with the net assets of the Plan allocated among the participants and the beneficiaries of the Plan in the allocation order specified by ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions and earnings thereon.

#### **7. TAX STATUS**

The Plan received an opinion letter from the Internal Revenue Service ( IRS ) dated March 31, 2008, indicating that the prototype adopted by the Plan, as then designed, was in compliance with applicable requirements of the Internal Revenue Code ( IRC ). The Plan has been amended since receiving the opinion letter; however, the Company and the Plan administrator believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. The Plan and related trust continue to be tax-exempt and accordingly, no provision for income taxes has been included in the Plan's financial statements.



U.S. GAAP requires Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2013 and 2014, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes the Plan is no longer subject to income tax examinations for years prior to the Plan year ended December 31, 2011.

#### **8. CORRECTIVE DISTRIBUTIONS**

There were no corrective distributions for the Plan year ending December 31, 2014.

**9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2014 and 2013, to the Form 5500:

	<b>2014</b>	2013
	\$	\$
Net assets available for benefits per financial statements	<b>56,458,999</b>	48,468,509
Accrual for participant contributions receivable	-	(641)
Accrual for employer contributions receivable	-	(290)
Adjustment from fair value to contract value	<b>69,445</b>	45,320
	\$	\$
Net assets per Schedule H of Form 5500	<b>56,528,444</b>	48,512,898

The following is a reconciliation of the change in net assets per the financial statement for the year ended December 31, 2014 compared to the change in net assets per the Form 5500:

	<b>2014</b>
	\$
Increase in net assets available for benefits as stated in the financial statements	<b>7,990,490</b>
Accrual for participant contributions receivable prior year	<b>641</b>
Accrual for employer contributions receivable prior year	<b>290</b>
Change in excess of contract value over estimated fair value of investment in stable value fund	<b>24,125</b>
	\$
Net income as stated in the Form 5500	<b>8,015,546</b>

**SUPPLEMENTAL SCHEDULE**

## Salem Media Group, Inc. Employees 401(k) Plan

Form 5500, Schedule H, Part IV, Line 4i

Schedule of Assets (Held at End of Year)

As Of December 31, 2014

Name of plan sponsor: Salem Media Group, Inc.

Employer identification number: 77-0121400

Three-digit plan number: 001

(a)	(b) Identity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, par, or Maturity Value	(d) Cost	(e) Current Value
		<b><u>Mutual Funds</u></b>		\$
	Aberdeen	Aberdeen International Equity Instl	-	1,789,877
	Baird	Baird Core Plus Bond Inst.	-	2,508,117
	Delaware Investments	Delaware Small Cap Value Instl	-	347,508
	Fidelity Investments	Fidelity NASDAQ Composite Index	-	662,844
	Fidelity Investments	Fidelity Small Cap Discovery	-	2,004,526
	Fidelity Investments	Fidelity Spartan 500 Index Advantage	-	2,708,604
	Invesco	Invesco American Value Fund Y	-	1,534,900
	John Hancock	John Hancock Income Fund Class R5	-	265,861
	Lord Abbett	Lord Abbett Developing Growth Fund/I	-	1,060,154
	Lord Abbett	Lord Abbett Short Duration Income I	-	472,555
	Oppenheimer	Oppenheimer Developing Markets Fd (Y)	-	432,570
	Principal Funds	Principal Midcap Instl	-	2,529,815
	Prudential	Prudential High-Yield Z	-	471,170
	Templeton	Templeton Global Bond Adv	-	270,212
	Vanguard	Vanguard Equity Income/Inv	-	2,620,175
	Vanguard	Vanguard Target Retirement 2010	-	1,110,654
	Vanguard	Vanguard Target Retirement 2015	-	1,229,126
	Vanguard	Vanguard Target Retirement 2020	-	5,291,720

Vanguard	Vanguard Target Retirement 2025	-	2,299,789
Vanguard	Vanguard Target Retirement 2030	-	4,996,086
Vanguard	Vanguard Target Retirement 2035	-	1,738,717
Vanguard	Vanguard Target Retirement 2040	-	2,143,964
Vanguard	Vanguard Target Retirement 2045	-	1,319,299
Vanguard	Vanguard Target Retirement 2050	-	1,082,218
Vanguard	Vanguard Target Retirement 2055	-	276,676
Vanguard	Vanguard Target Retirement Income	-	502,355
Virtus	Virtus Real Estate Securities Fund I	-	1,936,756
* Wells Fargo Advantage	Wells Fargo Adv Discovery (Inv)	-	1,831,259
* Wells Fargo Advantage	WF Advntg Growth/Inv	-	4,403,952
			49,841,459
	<b><u>Common Stock</u></b>		
* Salem Media Group, Inc. Corporation	Salem Media Group, Inc. Stock	-	171,985
	<b><u>Collective Trust</u></b>		
* Wells Fargo Bank, N.A.	Wells Fargo Stable Value Fund N15	-	5,029,816
	<b><u>Notes Receivable</u></b>		
	Bearing interest at 4% to 10.25%		
* Notes receivable from participants	Various maturity dates	-	1,483,680
			\$
			56,526,940

\* Party-in-interest.

\*\* Cost information is not required for participant directed investments and, therefore, is not included.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the 401(k) Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SALEM MEDIA GROUP, INC.

(Registrant)

SALEM MEDIA GROUP, INC., EMPLOYEES 401(k) PLAN

(Name of plan)

Date: June 26, 2015

By

/s/ Evan D. Masyr

Evan D. Masyr

Executive Vice President and Chief Financial  
Officer

(Principal Financial and Accounting Officer)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-182807 on Form S-8 of Salem Media Group, Inc. of our report dated June 26, 2015, appearing in this Annual Report on Form 11-K of Salem Media Group, Inc. Employees 401(k) Plan for the year ended December 31, 2014.

Crowe Horwath LLP

South Bend, Indiana

June 26, 2015

**CERTIFICATION**

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of the Salem Media Group, Inc. Employees 401(k) Plan (the "Plan") on Form 11-K for the fiscal year ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report ), I, Evan D. Masyr, Executive Vice President and Chief Financial Officer (the Plan Administrator ) of Salem Media Group, Inc., certify to my knowledge, pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the net assets available for benefits and changes in net assets available for benefits of the Plan.

Date: June 26, 2015

/s/ Evan D. Masyr  
Evan D. Masyr  
Executive Vice President and Chief Financial Officer  
Salem Media Group, Inc.

