Year End Financial Reporting Package

For the year ended

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INDEPENDENT AUDITOR'S REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis of financial condition and results of operations but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ EISNERAMPER LLP
Fort Lauderdale, Florida
May 29, 2024

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In thousands)

	2023	2022
Cash flows from operating activities:		
Net loss	$ (40,699)	$ (4,817)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment charges	43,583	—
(Gain) loss on the disposal of assets, net of disposal costs	106	(16)
Gain on insurance proceeds received for damage to equipment	—	(437)
Stock-based compensation	253	253
Depreciation and amortization	2,360	3,373
Net barter income	(555)	(497)
Provision for expected credit losses	974	859
Amortization of deferred financing costs	1,909	1,909
Deferred income taxes	(15,005)	1,397
Unearned revenue-barter	685	261
Changes in operating assets and liabilities:		

1. Organization and Nature of Business

Maintenance and repairs are charged to expense as incurred; improvements are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to operating income (loss).

The Company has generated tax credits from the production of programming content that can be used to reduce imposed income tax or other tax liabilities. These tax credits can be claimed in the tax year in which the activities covered by the tax credit commenced. The tax credits are non-refundable but are transferable to third parties if not used by the Company. It is the Company's policy to routinely review the timing of the estimated realization of recorded tax credits and how these tax credits should be utilized. Although these tax credits had previously been sold to third parties, Management's intent is to use these tax credits to offset its future income tax liabilities in Puerto Rico. For the year ended December 31, 2023, the Company did not generate any tax credits from the production of programming content. Changes in tax legislation may lead the Company to elect to use these tax credits differently in the future.

(j) Advertising Costs

We incur advertising costs to add and maintain listeners. These costs are charged to expense in the period incurred. Cash advertising costs amounted to $1.3 million and $3.4 million during the years ended December 31, 2023 and 2022, respectively.

(k) Contingent Liabilities and Gains

(n) Basic and Diluted Net Loss Per Common Share

Basic net loss per common share was computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. Diluted net loss per

(p) Share-Based Compensation Expense

We account for our share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2023 and 2022 were reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures.

(q) Leasing (Operating Leases)

We analyze if contracts are leases or contain leases at inception. Our analysis includes determining whether the right to control the use of an identified asset for a period of time in exchange for consideration has been transferred to the Company. The term of each lease is determined based on the noncancellable period specified in the agreement together with renewal periods which would provide the Company the option to extend the lease and it were reasonably certain that the Company would exercise that option, as well as that it is also reasonably certain that the lessor would not preclude the Company from doing so. The lease liabilities and the related right-of-use assets are calculated based on the present value of the lease payments using the lessee's incremental borrowing

Nature of Products and Services

a) **Local, national, digital and network advertising**

Local and digital revenues generally consist of advertising airtime sold in a station's local market, or streamed on the Company's La Musica application, its websites or third party sites either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid programming (or infomercials). National revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by an outside national representation firm, which serves as an agent in these transactions. Revenues from national advertisers are presented as net of agency commissions as this is the amount that the Company expects to be entitled to receive in exchange for these services and entitled to under the contract. Network revenue generally consists of advertising airtime sold on the AIRE Radio Networks platform by network sales staff.

A contract for local, national, digital and network advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, or in the case of certain digital products to deliver a specified number of impressions over a period of time, each of which is distinct, to be the identified performance obligation. The price as specified on a customer purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar c3 (i)3.23 (4d)0.9 (e)((m)-5.2 (i11.y.9 (p)0.9 (e)-1 (x)-4.71 (e)(t)2.7 (c)-9.a)0.9 (e)-1 (2e)-1 (r)-5.4 (c)-5.1 (e)-1 (r)-.9 (n)0.9 (u)

e) Agency commissions

Agency commissions are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings less their commission to the Company when the advertisement is not placed directly by the advertiser.

Significant Judgments

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2023 and 2022 consist of the following (in thousands):

	2023	2022
Accounts payable – trade	$ 3,986	$ 2,523
Accrued compensation and commissions	6,395	6,919
Accrued professional fees	1,985	1,285
Accrued music license fees	737	785
Accrued rating service	2,091	1,334
Accrued rent, property and real estate taxes	503	343
Accrued income and franchise tax	1,317	604
Accrued contract liabilities	1,612	1,516
Other accrued expenses	6,013	5,688
	$ 24,639	$ 20,997

8. $310 M

b) *Revolving Credit Facility*

Concurrently with the completion of the Notes offering, we entered a senior secured asset-based revolving credit facility(the

The Company recognized a gain of $118.7 million on settlement with the Series B shareholders as an increase to additional paid in capital as the transaction was in essence a capital transaction with equity holders (both before and after the settlement). The Company analogized troubled debt restructuring accounting guidance to calculate the gain on the repurchased Series B preferred stock. The following table summarizes the calculation of the recognized gain as of December 31, 2021 (in thousands):

	December 31, 2021
Series B Carrying Value of Selling Group	

(c) Share-Based Compensation Plans and Other Share Based Compensation

2006 Omnibus Equity Compensation Plan

In July 2006, we adopted an omnibus equity compensation plan (the "Omnibus Plan") in which grants of Class A common stock can be made to participants in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) stock appreciation rights, (iv) stock units, (v) stock awards, (vi) dividend equivalents, and (vii) other stock-based awards. The Omnibus Plan authorized up to 350,000 shares of our Class A common stock for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provided that the maximum aggregate number of shares of Class A common stock units, stock awards and other stock-based awards that may be granted, other than dividend equivalents, to any individual during any calendar year is 100,000 shares,

(b) Other Commitments

At December 31, 2023, we have commitments to vendors that provide us with goods or services. These commitments included services for rating services, programming contracts, software contracts and others expiring through 2028. Future payments under such commitments are as follows (in thousands):

Year ending December 31:	
2024	$ 12,246
2025	8,522
2026	8,253
2027	8,151
2028	63
	$ 37,235

(c) Litigation

The components of the provision for income tax (benefit) expense from continuing operations included in the consolidated statements of operations are as follows for the years ended December 31, 2023 and 2022 (in thousands):

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions in which we file income tax returns. The tax years that remain subject to assessment of additional liabilities by the federal, state and local tax authorities are 2020 through 2023. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2015 through 2023.

For the years ended December 31, 2023 and 2022, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. Our evaluation was performed for the tax years ended December 31, 2020 through December 31, 2022, which are the tax years that remain subject to examination by the tax jurisdictions as of December 31, 2023. We do not expect any unrecognized tax benefits to significantly change over the next twelve months.

13. Fair Value of Financial Instruments

Cash, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the consolidated financial statements, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of our other long-term debt instruments approximate their carrying amounts as the interest rates approximate our current borrowing rate for similar debt instruments of comparable maturity or have variable interest rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of the outstanding Notes is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy.

The table below represents the amounts classified as discontinued operations during the years ended December 31, 2023 and 2022 on the Company's Consolidated Statements of Operations (in thousands).

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net revenue from discontinued operations	$ 7,319	$ 11,543
Operating expenses from discontinued operations:		
Operating expenses	11,943	14,707
Depreciation and amortization	112	1,323
Gain on the disposal of assets	—	(90)
Other operating (income) loss	(2,687)	—
Operating loss from discontinued operations	(2,049)	(4,397)
Other expenses from discontinued operations:		
Interest expense	(61)	—
Pre-tax loss from discontinued operations	(2,110)	(4,397)
Income tax (benefit) expense	107	(1,923)
Loss from discontinued operations	$ (2,217)	$ (2,474)

18. Related Party Transaction

(a) Local Marketing and Programming Agreements

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We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters. In our pursuit to control our operating expenses, we work closely with our local stations' management and vendors.

Year Ended 2023 Compared to Year Ended 2022

The following summary table presents a comparison of our operating results for the years ended December 31, 2023 and 2022 (in thousands). Operational and financial results related to the held for sale assets of the television segment, have been reclassified from continuing operations to discontinued operations in the prior year. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	Year Ended December 31,	
	2023	2022
Net revenue from continuing operations	$ 147,330	$ 156,489
Operating expenses	105,359	103,813
Corporate expenses	14,250	16,239
Depreciation and amortization	2,360	2,050
(Gain) loss on the disposal of assets	106	(363)
Impairment charges	43,583	—
Other operating expenses	359	40
Operating income (loss) from continuing operations	(18,687)	34,710
Other expenses:		
Interest expense, net	(32,347)	(32,449)
Income (loss) from continuing operations before income taxes	(51,034)	2,261
Income tax (benefit) expense	(12,552)	4,604
Loss from continuing operations	(38,482)	(2,343)
Loss from discontinued operations, net of tax	(2,217)	(2,474)
Net loss	$ (40,699)	$ (4,817)

Overview

Our operating results were impacted by our special events which had fewer show nights and events that led to lower ticket sales, local sponsorship revenue and event expenses, partially offset by the receipt of $1.3 million related to a 2020 business interruption insurance claim recognized as other revenue. Additionally, our operating expenses were impacted by investments in our (i) Orlando and Tampa start-up stations purchased on April 29, 2022, (ii) unique Spanish-language programming talent and content for our terrestrial and digital properties, (iii) digital infrastructure and capabilities, personnel, and offerings, such as Digidea, our pure-play digital marketing department and (iv) $43.6 million of impairment losses. During the comparative prior period ended December 31, 2022, our operating results were impacted by the receipt of $2.3 million related to a 2020 business interruption insurance claim recognized as other revenue and political sales of $2.8 million.

Net Revenue from Continuing Operations

Net revenue from continuing operations decreased $9.2 million or 6%. The decrease was primarily the result of lower special events and other revenue, local, national, and digital sales, partially offset by increases in barter sales.

Operating Expenses

Operating expenses increased $1.5 million or 1% primarily due to increases in compensation & benefits, barter expense, music license fees, cost of digital sales, allowance for expected credit losses, transmitter rent, and rating services, partially offset by decreases in special events expenses, advertising & promotions, and sales commissions.

Corporate Expenses

Corporate expenses decreased $2.0 million or 12% due to decreases in compensation & benefits and travel & entertainment, partially offset by increases in outside services and professional fees.

Impairment Charges

The non-cash impairment charges of $43.6 million, on most of our radio FCC broadcasting licenses, were driven primarily by certain risk associated with the current U.S. economy which caused changes to some key assumptions in the fair value calculations.

Operating Income (Loss) from Continuing Operations

The decrease in operating income from continuing operations of $53.4 million was primarily due to the non-cash impairment charges, the decrease in net revenue and an increase in operating expenses, partially offset by the decrease in corporate expenses.

Income (Loss) from Continuing Operations Before

Series C Preferred Stock

As of December 31, 2023, we had 380,000 shares of Series C preferred outstanding. Raúl Alarcón, our Chairman of the Board and Chief Executive Officer, is the beneficial owner of all the shares of Series C preferred stock which are convertible into 760,000 shares of Class A common stock, subject to certain adjustments.

Class A Common Stock

As of December 31, 2023, we had 6,209,446 shares of Class A common stock outstanding.

Class B Common Stock

As of December 31, 2023, we had 2,340,353 shares of Class B common stock outstanding, which have ten votes per share. Raúl Alarcón, our Chairman of the Board and Chief Executive Officer, has voting control over all but 350 shares of the Class B common stock.

Record Holders

As of December 31, 2023, there were approximately 98 record holders of our Class A common stock, three record holders of our Class B common stock and one record holder of our Series C preferred stock. These figures do not include an estimate of the

Net Cash Flows Provided by (Used In) Investing Activities

Changes in our net cash flows from investing activities were primarily the result of having acquired the Orlando and Tampa radio stations and related assets in 2022 for which a post-acquisition price adjustment of $1.0 million was subsequently applied to, the receipt of a $3.8 million non-refundable deposit associated with the recently terminated television segment and related real estate assets purchase agreements, and overall reductions in property and equipment purchases which were partially offset by deposit payments towards the acquisition of a FM radio station in Houston, TX.

Net Cash Flows Provided by Financing Activities

Changes in our net cash flows provided by financing activities were a result of having drawn $4.9 million on our available revolving credit facility as compared to $4.0 million in the prior year period and having repaid each prior to years ended December 31, 2023 and 2022, respectively.

Special Note Regarding Forward-Looking Statements

This Financial Reporting Package contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward -looking statements. Spanish Broadcasting System, Inc. and Subsidiaries intends such forward-looking statements to be covered by the safe harbor provisions for forward -looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions. These forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this Financial Reporting Package. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations.

"Forward -looking" statements represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments, and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward -