

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

The Monarch Cement Company

A Kansas Corporation

P.O. Box 1000, Humboldt, Kansas

620-473-2222

www.monarchcement.com

shareholder.relations@monarchcement.com

3241 – Cement, Hydraulic

3273 – Ready-Mixed Concrete

Quarterly Report

For the Period Ending: September 30, 2022

As of September 30, 2022, the number of shares outstanding of our Common Stock was: 2,639,637

As of September 30, 2022, the number of shares outstanding of our Class B Common Stock was: 1,131,425

As of June 30, 2022, the number of shares outstanding of our Common Stock was: 2,625,160

As of June 30, 2022, the number of shares outstanding of our Class B Common Stock was: 1,136,799

As of December 31, 2021, the number of shares outstanding of our Common Stock was: 2,624,310

As of December 31, 2021, the number of shares outstanding of our Class B Common Stock was: 1,137,649

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

Yes: No:

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

Yes: No:

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

Yes: No:

1) Name of the issuer and its predecessors

In answering this item, please also provide any names used by predecessor entities and the dates of the name changes.

The Monarch Cement Company

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Monarch was organized as a corporation under the laws of the State of Kansas on July 29, 1913 and is currently active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

The Monarch Cement Company
449 1200 Street
P.O. Box 1000
Humboldt, KS 66748

The address(es) of the issuer's principal place of business:

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

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

None

2) Security Information

Trading symbol: MCEM
Exact title and class of securities outstanding: Capital Stock
CUSIP: 609031307
Par or stated value: \$2.50
Total shares authorized: 10,000,000 as of September 30, 2022
Total shares outstanding: 2,639,637 as of September 30, 2022

Trading symbol: MCEM
Exact title and class of securities outstanding: Class B Capital Stock
CUSIP: 609031406
Par or stated value: \$2.50
Total shares authorized: 10,000,000 as of September 30, 2022
Total shares outstanding: 1,131,425 as of September 30, 2022

Number of shares in the Public Float: 3,267,342 as of September 30, 2022
Total number of shareholders of record: 303 as of September 30, 2022

Transfer Agent

Name: The Monarch Cement Company
Address: 449 1200 Street
P.O. Box 1000
Humboldt, KS 66748-0900
Phone: 620-473-2222
Email: shareholder.relations@monarchcement.com

Is the Transfer Agent registered under the Exchange Act? Yes: No:

3) Issuance History

A. Changes to the Number of Outstanding Shares

Pursuant to the provisions of Monarch's Articles of Incorporation governing the conversion of its Class B Capital Stock into Capital Stock a total of 6,224 shares of Monarch's Capital Stock were issued in the first nine months ended September 30, 2022 upon conversion of an equal number of shares of Monarch's Class B Capital Stock. The following shares were converted during the past two years as indicated below:

Number of Shares outstanding as of 01/01/2020		Opening Balance:							
		Capital: 2,646,859							
		Class B: 1,213,930							
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at	Were the shares issued at a discount to market price at the time of	Individual/ Entity Shares were issued to (entities must have individual with voting /	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?

				Issuance	issuance? (Yes/No)	investment control disclosed).	Provided (if applicable)		
3/30/20	Conversion	19,072	Class B to Capital						
11/12/20	Conversion	3,300	Class B to Capital						
12/4/20	Conversion	1,500	Class B to Capital						
12/28/20	Retirement	60,587	Capital						
12/28/20	Retirement	2,333	Class B						
12/31/20	Retirement	1,040	Capital						
1/28/21	Conversion	670	Class B to Capital						
2/5/21	Conversion	600	Class B to Capital						
4/1/21	Conversion	25	Class B to Capital						
5/19/21	Retirement	34,610	Class B						
6/15/21	Conversion	13,971	Class B to Capital						
12/15/21	Conversion	200	Class B to Capital						
12/21/21	Retirement	260	Capital						
1/17/22	Conversion	850	Class B to Capital						
8/1/22	Issuance	15,239	Capital						
9/16/22	Retirement	2,383	Capital						
9/19/22	Retirement	3,753	Capital						
9/20/22	Conversion	5,374	Class B to Capital						
Shares Outstanding on 09/30/2022:	Ending Balance: Capital: 2,639,637 Class B: 1,131,425								

The Company received no payment in connection with the issuances of such shares. No underwriters were involved with the issuance of such shares and no commissions were paid in connection with such issuances. There was no advertisement or general solicitation made in connection with the issuance of such shares. The Company issued 15,239 of Capital Stock in August 2022 as part of the consideration paid by the Company for the acquisition of American Concrete Company. Except as described above, Monarch did not issue or sell any shares of its Capital Stock or Class B Capital Stock during the nine months ended September 30, 2022.

B. Debt Securities, Including Promissory and Convertible Notes

The Company has a current credit agreement with BOKF, NA dba Bank of Oklahoma which provides for a \$15.0 million revolving note maturing on December 31, 2024; the previous agreement matured on December 31, 2021. As of September 30, 2022, and December 31, 2021, there was nothing borrowed against the revolving loan.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- U.S. GAAP
- IFRS

B. The financial statements for this reporting period were prepared by (name of individual):

Name: Tony Kasten
 Title: Chief Financial Officer, Sec./Tres.
 Relationship to Issuer: Officer

5) Issuer's Business, Products and Services

A. Summarize the issuer's business operations

The Monarch Cement Company (Monarch) manufactures and sells portland cement. The manufacture of portland cement by Monarch involves the quarrying of clay and limestone and the crushing, drying and blending of these raw materials into the proper chemical ratio. The raw materials are then heated in kilns to 2800° Fahrenheit at which time chemical reactions occur forming a new compound called clinker. After the addition of a small amount of gypsum, the clinker is ground into a very fine powder that is known as portland cement. The term "portland cement" is not a brand name but is a term that distinguishes cement manufactured by this chemical process from natural cement, which is no longer widely used. Portland cement is the basic material used in the production of ready-mixed concrete that is used in highway, bridge and building construction where strength and durability are primary requirements.

Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") are engaged in the ready-mixed concrete, concrete products and sundry building materials business. Ready-mixed concrete is manufactured by combining aggregates with portland cement, water and chemical admixtures in batch plants. It is then loaded into mixer trucks and mixed in transit to the construction site where it is delivered to the contractor. Concrete products primarily include pre-formed components produced by the Company that are ready for use in the construction of commercial buildings and institutional facilities.

B. Describe any subsidiaries, parents, or affiliated companies.

Subsidiaries of Monarch include: Beaver Lake Concrete, Inc., Capitol Concrete Products Co., Inc., City Wide Construction Products Co., Concrete Enterprises, Inc., Concrete Materials, Inc., Dodge City Concrete, Inc., Hays Ready-Mix, Inc., Joplin Concrete Company, Inc., Kansas Sand and Concrete, Inc., Kay Concrete Materials Co., Lion's Share Insurance, Inc., Monarch Cement of Iowa, Inc., Salina Concrete Products, Inc., Springfield Ready Mix Co. and Tulsa Dynaspan, Inc. These subsidiaries are 100% owned by Monarch and can be contacted through Monarch.

C. Describe the issuers' principal products or services.

The marketing area for Monarch's products, which is limited by the relatively high cost of transporting cement, consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Included within this area are the metropolitan markets of Des Moines, Iowa; Kansas City, Missouri; Springfield, Missouri; Wichita, Kansas; Omaha, Nebraska; Lincoln, Nebraska; Fayetteville, Arkansas and Tulsa, Oklahoma. Sales of cement are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Monarch cement is delivered either in bulk or in paper bags and is sold under the "MONARCH" brand name. The cement is distributed both by truck and rail, either common or private carrier.

Subsidiaries of Monarch sell ready-mixed concrete, concrete products and sundry building materials in Monarch's primary market.

6) Issuer's Facilities

The Company's corporate office and cement plant, including equipment and raw materials, are located at Humboldt, Kansas, approximately 110 miles southwest of Kansas City, Missouri. The Company owns approximately 5,000 acres of land on which the Humboldt plant, offices and all essential raw materials for the cement operations are located. Construction completed in 2006 increased our cement plant's capacity allowing us to produce in excess of one million tons of cement per year. Producing at that level, raw material reserves are estimated to be sufficient to maintain operations at this plant for more than 50 years, although not all reserves are currently accessible under existing governmental permits and approvals. The Company believes that this plant and equipment are suitable and adequate for its current level of operations and provides for increases in market demand.

The Company also owns approximately 250 acres of land in Des Moines, Iowa on which it operates a cement terminal. The Company transfers cement produced in Humboldt, Kansas to this terminal for distribution to Iowa customers. The Company also owns a rock quarry located near Earlham, Iowa, approximately 30 miles west of Des Moines, Iowa. Approximately 353 acres of this 400 acre tract have been quarried and the Company has contracted with a third party to quarry and sell the remaining rock. This quarry operation does not have a material effect on the Company's overall operations.

The Company owns various companies which sell ready-mixed concrete, concrete products and sundry building materials within the Humboldt cement plant's primary market. Various equipment and facility improvements in this line of business ensure these plants are suitable and adequate for their current level of operations and provide for increases in market demand. No single subsidiary's physical property is materially significant to the Company.

There are no material encumbrances on our properties.

7) Officers, Directors, and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Walter H. Wulf, Jr.	Officer/Director	Humboldt, KS	169,452	Capital	6.45%	
			195,414	Class B	17.03%	
Kent A. Webber	Officer/Director	Chanute, KS	3,900	Capital	*	
Robert M. Kissick	Officer/Director	Leawood, KS	14,487	Capital	*	
			39,903	Class B	3.51%	
Tony D. Kasten	Officer	Chanute, KS	100	Capital	*	
Lisa J. Fontaine	Officer	Iola, KS	2,500	Capital	*	
Kenneth G. Miller	Officer	Humboldt, KS	2,200	Capital	*	
N. Joan Perez	Officer	Humboldt, KS	6,500	Capital	*	
Douglas W. Sommers	Officer	Chanute, KS	691	Capital	*	
Mark A. Callaway	Director	Wichita, KS	100	Capital	*	
David L. Deffner	Director	Gulf Shores, AL	11,863	Class B	1.04%	
Gayle C. McMillen	Director	Salina, KS	34,610	Class B	3.04%	
Byron J. Radcliff	Director	Steamboat Springs, CO	4,250	Capital	*	
			1,000	Class B	*	
Robert K. Radcliff	Director	Chicago, IL	4,250	Capital	*	
Steve W. Sloan	Director	Pittsburg, KS	2,000	Capital	*	

Michael R. Wachter	Director	Kent, WA	1,600	Capital	*	
			600	Class B	*	
Walter H. Wulf, III	Director	Birmingham, MI	3,800	Capital	*	
			4,500	Class B	*	
Paula D. Radcliff	Owner of more than 5%	Dexter, KS	199,760	Capital	7.61%	
			211,960	Class B	18.65%	

*Less than one percent.

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
None
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
None
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
None
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.
None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Securities Counsel

Firm: Stinson LLP
Address 1: 1201 Walnut Street, Suite 2900
Address 2: Kansas City, MO 64106-2150

Accountant or Auditor

Firm: Grant Thornton, LLP
Address 1: 1201 Walnut Street, Suite 2200
Address 2: Kansas City, MO 64106
Phone: (816) 412-2400

Investor Relations Consultant

Firm: Stinson LLP
Address 1: 1201 Walnut Street, Suite 2900
Address 2: Kansas City, MO 64106-2150

10) Issuer Certification

Principal Executive Officer:

I, Walter H. Wulf, Jr. certify that:

1. I have reviewed this Quarterly Report of The Monarch Cement Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 10, 2022

/s/ Walter H. Wulf, Jr.
Chairman of the Board and
Chief Executive Officer

Principal Financial Officer:

I, Tony Kasten certify that:

1. I have reviewed this Quarterly Report of The Monarch Cement Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 10, 2022

/s/ Tony Kasten
Chief Financial Officer
Secretary-Treasurer

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2022 (UNAUDITED) AND DECEMBER 31, 2021

ASSETS	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 48,376,047	\$ 53,719,765
Receivables, less allowances of \$432,500 in 2022 and \$388,000 in 2021 for doubtful accounts	31,882,076	22,772,751
Inventories, priced at cost which is not in excess of market-		
Finished cement	\$ 4,305,749	\$ 4,061,816
Work in process	4,912,810	4,730,686
Building products	3,136,874	3,018,382
Fuel, gypsum, paper sacks and other	9,906,151	7,116,266
Operating and maintenance supplies	21,963,576	21,029,668
Total inventories	\$ 44,225,160	\$ 39,956,818
Derivative financial instruments	1,366,710	834,411
Prepaid expenses	2,342,099	833,015
Total current assets	\$ 128,192,092	\$ 118,116,760
Property, Plant and Equipment, at cost, less accumulated depreciation and depletion of \$289,940,398 in 2022 and \$282,920,247 in 2021	123,451,901	104,630,226
Investments	37,631,700	55,490,313
Investments in Affiliates	13,157,497	11,995,580
Other Assets	5,473,394	4,962,827
	\$ 307,906,584	\$ 295,195,706
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 10,948,523	\$ 8,764,097
Current portion of other long-term debt	1,651,465	-
Accrued liabilities		
Dividends	-	2,069,077
Compensation and benefits	3,353,076	3,967,036
Federal and state income taxes	1,467,932	1,002,872
Miscellaneous taxes	1,434,908	548,673
Other	771,206	856,085
Total current liabilities	\$ 19,627,110	\$ 17,207,840
Deferred Income Taxes	176,011	3,631,053
Other Long-Term Debt	194,159	-
Accrued Postretirement Benefits	15,834,550	15,858,583
Stockholders' Equity:		
Capital stock, par value \$2.50 per share, one vote per share - Authorized 10,000,000 shares, Issued and Outstanding 2,639,637 shares at 09/30/2022 and 2,624,310 shares at 12/31/2021	\$ 6,599,093	\$ 6,560,775
Class B capital stock, par value \$2.50 per share, supervoting rights of ten votes per share, restricted transferability, convertible at all times into Capital Stock on a share-for-share basis - Authorized 10,000,000 shares, Issued and Outstanding 1,131,425 shares at 09/30/2022 and 1,137,649 shares at 12/31/2021	2,828,563	2,844,123
Additional paid-in-capital	4,047,123	2,485,125
Retained earnings	274,763,825	262,711,013
Accumulated other comprehensive loss	(16,163,850)	(16,102,806)
Total Stockholders' Equity	\$ 272,074,754	\$ 258,498,230
	\$ 307,906,584	\$ 295,195,706

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
NET SALES	\$ 73,540,208	\$ 64,121,884	\$ 169,386,508	\$ 157,006,198
COST OF SALES	48,484,183	42,908,054	116,119,292	110,607,414
Gross profit from operations	\$ 25,056,025	\$ 21,213,830	\$ 53,267,216	\$ 46,398,784
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,210,387	4,859,984	16,047,923	14,333,772
Income from operations	\$ 19,845,638	\$ 16,353,846	\$ 37,219,293	\$ 32,065,012
OTHER INCOME (EXPENSE):				
Interest income	\$ 101,642	\$ 1,935	\$ 193,821	\$ 36,675
Interest expense	(72)	(841)	(6,111)	(403)
Gain on sale of equity investments	1,293,885	4,174,812	6,821,292	6,726,425
Unrealized gain (loss) on equity investments	(950,000)	(6,870,000)	(14,200,000)	6,610,000
Dividend income	755,616	58,522	957,908	2,486,086
Other, net	(649,092)	20,235	1,433,379	992,907
	<u>\$ 551,979</u>	<u>\$ (2,615,337)</u>	<u>\$ (4,799,711)</u>	<u>\$ 16,851,690</u>
Income before income taxes	\$ 20,397,617	\$ 13,738,509	\$ 32,419,582	\$ 48,916,702
PROVISION FOR INCOME TAXES	4,285,000	2,885,000	6,810,000	10,273,000
Equity in affiliate earnings, net of tax	66,344	582,938	695,759	927,998
NET INCOME	\$ 16,178,961	\$ 11,436,447	\$ 26,305,341	\$ 39,571,700
RETAINED EARNINGS, beg. of period	\$ 270,542,598	\$ 249,430,099	\$ 262,711,013	\$ 226,760,207
Less cash dividends	11,331,594	14,860,765	13,626,389	16,917,041
Less purchase and retirement of capital stock	626,140	-	626,140	3,409,085
RETAINED EARNINGS, end of period	\$ 274,763,825	\$ 246,005,781	\$ 274,763,825	\$ 246,005,781
Basic earnings per share	\$ 4.29	\$ 3.09	\$ 6.99	\$ 10.52
Cash dividends per share	\$ 3.00	\$ 3.95	\$ 3.61	\$ 4.50

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
NET INCOME	\$ 16,178,961	\$ 11,436,447	\$ 26,305,341	\$ 39,571,700
OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax				
AMORTIZATION OF PENSION AND POSTRETIREMENT PRIOR SERVICE COST (Net of deferred tax benefit of \$(17,000), \$(94,000), \$(304,000) and \$(402,000), respectively)	(45,592)	(266,306)	(863,145)	(1,142,962)
AMORTIZATION OF PENSION AND POSTRETIREMENT LOSS (Net of deferred tax expense (benefit) of \$(119,000), \$58,000, \$282,000 and \$362,000, respectively)	(340,455)	162,775	802,101	1,029,756
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), net of deferred tax	\$ (386,047)	\$ (103,531)	\$ (61,044)	\$ (113,206)
COMPREHENSIVE INCOME	\$ 15,792,914	\$ 11,332,916	\$ 26,244,297	\$ 39,458,494

See accompanying Notes to the Condensed Consolidated Financial Statements

THE MONARCH CEMENT COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (UNAUDITED)

	2022	2021
OPERATING ACTIVITIES:		
Net income	\$ 26,305,341	\$ 39,571,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	11,382,779	10,886,725
Income from derivative financial instruments	(3,132,299)	(1,672,884)
Income from equity method investments, net of dividends received	(618,417)	(854,568)
Decrease in long-term notes receivable	13,113	22,294
Deferred income taxes	(3,770,042)	1,678,500
Gain on disposal of assets	(1,687,082)	(278,554)
Realized gain on sale of equity investments	(6,821,292)	(6,726,425)
Unrealized holding (gain) loss	14,200,000	(6,610,000)
Postretirement benefits and pension expense	(632,807)	(159,148)
Change in assets and liabilities:		
Receivables, net	(8,665,039)	(10,543,353)
Inventories	(4,156,676)	3,529,318
Prepaid expenses	(1,509,084)	(466,917)
Other assets	6,437	44
Accounts payable and accrued liabilities	3,022,542	5,995,861
Net cash provided by operating activities	<u>\$ 23,937,474</u>	<u>\$ 34,372,593</u>
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	\$ (27,686,168)	\$ (18,966,196)
Proceeds from disposals of property, plant and equipment	1,927,237	431,480
Payment for acquisition of business, net of cash acquired	84,121	-
Payment for purchases of equity investments	(3,998,981)	(2,115,904)
Proceeds from disposals of equity investments	14,478,886	13,794,037
Payment for acquisition of equity method investments	(543,500)	-
Payment for purchases of derivative financial instruments	2,600,000	-
Net cash used for investing activities	<u>\$ (13,138,405)</u>	<u>\$ (6,856,583)</u>
FINANCING ACTIVITIES:		
Payments on other long-term debt	\$ 194,159	\$ -
Cash dividends paid	(15,695,466)	(18,847,436)
Purchase of capital stock	(641,480)	(3,495,610)
Net cash used for financing activities	<u>\$ (16,142,787)</u>	<u>\$ (22,343,046)</u>
Net increase in cash and cash equivalents	\$ (5,343,718)	\$ 5,172,964
Cash and Cash Equivalents, beginning of year	<u>53,719,765</u>	<u>30,624,449</u>
Cash and Cash Equivalents, end of period	<u>\$ 48,376,047</u>	<u>\$ 35,797,413</u>
Supplemental disclosures:		
Interest paid, net of amount capitalized	\$ 6,111	\$ 403
Income taxes paid	10,142,672	5,429,387
Income tax refund	(23,142)	-
Capital equipment additions included in accounts payable and accrued liabilities	1,699,984	51,093
Capital stock repurchases included in accrued liabilities	4,650	4,650

See accompanying Notes to the Condensed Consolidated Financial Statements

Company Stockholders							
	Capital Stock	Class B Capital Stock	Additional Paid-In- Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
Balance							
January 01, 2020	\$ 6,617,148	3,034,825	2,485,125	204,924,373	-	(19,553,035)	197,508,436
Net Income	-	-	-	33,874,712	-	-	33,874,712
Dividends declared (\$2.00 per share)	-	-	-	(7,721,578)	-	-	(7,721,578)
Transfer of shares	59,680	(59,680)	-	-	-	-	-
Repurchase of capital stock	-	-	-	-	(72,800)	-	(72,800)
Repurchases of capital stock due to modified Dutch tender offer	-	-	-	-	(4,404,400)	-	(4,404,400)
Retirement of capital stock	(154,068)	(5,832)	-	(4,317,300)	4,477,200	-	-
Pension and Postretirement current year actuarial loss	-	-	-	-	-	(6,660,520)	(6,660,520)
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,757,113)	(1,757,113)
Amortization of Pension and Postretirement loss	-	-	-	-	-	1,794,417	1,794,417
Balance							
December 31, 2020	\$ 6,522,760	2,969,313	2,485,125	226,760,207	-	(26,176,251)	212,561,154
Net Income	-	-	-	60,443,180	-	-	60,443,180
Dividends declared (\$5.60 per share)	-	-	-	(21,055,339)	-	-	(21,055,339)
Transfer of shares	38,665	(38,665)	-	-	-	-	-
Retirement of capital stock	(650)	(86,525)	-	(3,437,035)	-	-	(3,524,210)
Pension and Postretirement current year actuarial gain	-	-	-	-	-	9,442,962	9,442,962
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(1,589,346)	(1,589,346)
Amortization of Pension and Postretirement loss	-	-	-	-	-	2,219,829	2,219,829
Balance							
December 31, 2021	\$ 6,560,775	2,844,123	2,485,125	262,711,013	-	(16,102,806)	258,498,230
Net Income	-	-	-	26,305,341	-	-	26,305,341
Dividends declared (\$3.61 per share)	-	-	-	(13,626,389)	-	-	(13,626,389)
Transfer of shares	15,560	(15,560)	-	-	-	-	-
Retirement of capital stock	(15,340)	-	-	(626,140)	-	-	(641,480)
Issuance of 15,239 shares with market value \$105.00 per share	38,098	-	1,561,998	-	-	-	1,600,096
Amortization of Pension and Postretirement prior service cost	-	-	-	-	-	(863,145)	(863,145)
Amortization of Pension and Postretirement loss	-	-	-	-	-	802,101	802,101
Balance							
September 30, 2022	\$ 6,599,093	2,828,563	4,047,123	274,763,825	-	(16,163,850)	272,074,754

See accompanying Notes to the Condensed Consolidated Financial Statements

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monarch Cement Company (Monarch) is principally engaged in the manufacture and sale of portland cement. The marketing area for Monarch's products consists primarily of the State of Kansas, the State of Iowa, southeast Nebraska, western Missouri, northwest Arkansas and northern Oklahoma. Sales are made primarily to contractors, ready-mixed concrete plants, concrete products plants, building materials dealers and governmental agencies. Subsidiaries of Monarch (which together with Monarch are referred to herein as the "Company") sell ready-mixed concrete, concrete products and sundry building materials within Monarch's marketing area.

For a summary of accounting policies, the reader should refer to Note 1 of the consolidated financial statements included in our Company's most recent annual report.

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

(2) PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2022, the amount of accounts payable related to property, plant and equipment was approximately \$1,700,000 compared to December 31, 2021 which was approximately \$482,000.

(3) INVENTORIES

We did not incur a temporary last-in, first-out (LIFO) liquidation gain during the three months and nine months ended September 30, 2022. During the third quarter and nine months ended September 30, 2021, we incurred approximately \$519,000 and \$688,000, respectively, temporary last-in, first-out (LIFO) liquidation gain due to the reductions in work in process inventory. The temporary LIFO liquidation gain has been deferred as a component of accrued liabilities.

(4) REVENUE RECOGNITION

The Company records revenue from the sale of cement, ready-mixed concrete, concrete products and sundry building materials following delivery of the products to customers, which is the point in time when the Company's performance obligation with the customer is satisfied. In the event the Company receives advance payment on orders, we defer revenue recognition until the product is delivered.

(5) LINES OF BUSINESS

Corporate assets for 2022 and 2021 include cash and cash equivalents, investments and other assets. Following is a summary of the Company's business segment results for the periods indicated:

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Three Months Ended 09/30/2022				
Sales to unaffiliated customers	\$ 45,719,414	\$ 27,820,794	\$ -	\$ 73,540,208
Intersegment sales	5,406,788	432,198	(5,838,986)	-
Total net sales	<u>\$ 51,126,202</u>	<u>\$ 28,252,992</u>	<u>\$ (5,838,986)</u>	<u>\$ 73,540,208</u>
Income from operations	<u>\$ 18,495,234</u>	<u>\$ 1,350,404</u>		\$ 19,845,638
Other income, net				551,979
Income before income taxes				<u>\$ 20,397,617</u>
Capital Expenditures	\$ 8,510,974	\$ 989,984		\$ 9,500,958

	Cement Business	Ready-Mixed Concrete Business	Adjustments and Eliminations	Consolidated
For the Three Months Ended 09/30/2021				
Sales to unaffiliated customers	\$ 37,514,441	\$ 26,607,443	\$ -	\$ 64,121,884
Intersegment sales	5,436,418	56,776	(5,493,194)	-
Total net sales	<u>\$ 42,950,859</u>	<u>\$ 26,664,219</u>	<u>\$ (5,493,194)</u>	<u>\$ 64,121,884</u>
Income from operations	<u>\$ 14,819,141</u>	<u>\$ 1,534,705</u>		<u>\$ 16,353,846</u>
Other loss, net				(2,615,337)
Income before income taxes				<u>\$ 13,738,509</u>
Capital Expenditures	\$ 4,206,920	\$ 318,120		\$ 4,525,040
For the Nine Months Ended 09/30/2022				
Sales to unaffiliated customers	\$ 101,153,055	\$ 68,323,453	\$ -	\$ 169,476,508
Intersegment sales	13,731,544	941,457	(14,673,001)	-
Total net sales	<u>\$ 114,884,599</u>	<u>\$ 69,264,910</u>	<u>\$ (14,673,001)</u>	<u>\$ 169,476,508</u>
Income from operations	<u>\$ 36,067,712</u>	<u>\$ 1,151,581</u>		<u>\$ 37,219,293</u>
Other loss, net				(4,799,711)
Income before income taxes				<u>\$ 32,419,582</u>
Capital Expenditures	\$ 19,860,314	\$ 9,043,816		\$ 28,904,130
For the Nine Months Ended 09/30/2021				
Sales to unaffiliated customers	\$ 89,356,240	\$ 67,649,958	\$ -	\$ 157,006,198
Intersegment sales	13,631,762	189,507	(13,821,269)	-
Total net sales	<u>\$ 102,988,002</u>	<u>\$ 67,839,465</u>	<u>\$ (13,821,269)</u>	<u>\$ 157,006,198</u>
Income from operations	<u>\$ 28,897,904</u>	<u>\$ 3,167,108</u>		<u>\$ 32,065,012</u>
Other income, net				16,851,690
Income before income taxes				<u>\$ 48,916,702</u>
Capital Expenditures	\$ 11,314,761	\$ 7,450,440		\$ 18,765,201
Balance at 09/30/2022				
Identifiable Assets	<u>\$ 151,220,189</u>	<u>\$ 50,681,047</u>		\$ 201,901,236
Corporate Assets				106,005,348
				<u>\$ 307,906,584</u>
Balance at 12/31/2021				
Identifiable Assets	<u>\$ 125,540,610</u>	<u>\$ 42,652,200</u>		\$ 168,192,810
Corporate Assets				127,002,896
				<u>\$ 295,195,706</u>

(6) FAIR VALUE

Realized gains (losses) on equity investments are computed using the specific identification method. 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. The Company applies mark-to-market accounting to derivative instruments that are not accounted for as hedges.

Cash and cash equivalents, receivables, accounts payable and short and long-term debt have carrying values that approximate fair values. The Company's valuation techniques used to measure the fair value of its marketable equity securities were derived from quoted prices in active markets for identical assets. Equity investments that do not have readily determinable market prices were remeasured to fair value upon the occurrence of an observable price change.

The Company has no liabilities at either date requiring remeasurement to fair value on a recurring basis in the balance sheet. The Company has no additional assets or liabilities at either date requiring remeasurement to fair value on a non-recurring basis in the balance sheet.

(7) DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into derivative transactions to hedge its exposures to commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

The Company enters into energy commodity-based derivatives in order to protect cash flows from fluctuations caused by volatility in the commodity prices in order to protect gross margins from potentially adverse effects of market and price volatility on diesel fuel. These hedges are not designated as effective hedges for accounting purposes. For derivative instruments that are not accounted for as hedges, the Company applies mark-to-market accounting with the change in fair value that is recorded through earnings in the period of change. Derivative fair market gains and losses are included in the results of operations and are included in cost of sales.

As part of the hedging activity, the Company is required to maintain certain levels of cash (margin deposits) with the clearing broker. The net of the margin deposits and equity value of the open positions must be a positive balance or additional cash is required. At times, this balance will be negative, thus requiring additional cash deposits within a specified time period. If the balance is negative as of the date of the balance sheets, this is reported as a current liability on the balance sheets. The corresponding market value of the open positions is reported as a current asset (or liability) on the consolidated balance sheets.

The following table provides the fair value (see Note 6) of the Company's derivative financial instruments not designated as hedging instruments:

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Balance Sheet Classification</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Futures Contracts (Level 2)	Derivative financial instruments	\$ 1,366,710	\$ 834,411

The net effect of derivatives not designated as hedges on the Statement of Income for the three months ended September 30, 2022 and 2021:

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Income Statement Classification</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Futures Contracts (Level 2)	Cost of Sales	\$ 733,259	\$ (239,521)

The net effect of derivatives not designated as hedges on the Statement of Income for the nine months ended September 30, 2022 and 2021:

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Income Statement Classification</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Futures Contracts (Level 2)	Cost of Sales	\$ (3,132,299)	\$ (1,676,539)

(8) INVESTMENTS

Equity Investments

The following table shows the gross unrealized gains (losses) recorded in the income statement aggregated by investment category at:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Cement industry	\$ (8,400,000)	\$ 1,020,000
General building materials industry	(7,255,000)	4,745,000
Oil & gas refining and marketing industry	2,990,000	930,000
Residential construction industry	(1,535,000)	(85,000)
Total	<u>\$ (14,200,000)</u>	<u>\$ 6,610,000</u>

The following table shows the fair value of the Company's investments aggregated by investment category at:

	September 30, 2022	December 31, 2021
Cement industry	\$ 12,789,244	\$ 21,274,026
General building materials industry	12,196,185	19,728,058
Oil & gas refining and marketing industry	9,057,521	9,875,417
Residential construction industry	3,588,750	4,612,812
Total	<u>\$ 37,631,700</u>	<u>\$ 55,490,313</u>

Equity Method Investments

The Company owns common stock of GFI, a privately-owned company in the brick industry. The Company has determined that it has the ability to exercise significant influence, but not control, over the operating and financial policies of GFI. Consequently, the equity method of accounting is used for the investment.

Pertinent information about the Company's investment in GFI is as follows:

	September 30, 2022	December 31, 2021
Carrying value	\$ 13,157,497	\$ 11,995,580
Ownership percentage	34.19%	32.46%
Cash dividends received	\$ 77,342	\$ 73,429
Undistributed earnings	8,053,279	7,357,520
Difference between carrying amount and the underlying equity in net assets*	225,775	(240,382)
	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Equity in earnings	\$ 695,759	\$ 927,998

* The difference between carrying amount and the underlying equity in net assets is in a memo account allocated to goodwill.

During the three months ended September 30, 2022 and 2021, the Company purchased \$0.2 million and \$0.3 million, respectively, of brick from GFI in arm's length transactions in the normal course of business for resale to third parties. During the nine months ended September 30, 2022 and 2021, the Company purchased \$0.6 million and \$0.7 million, respectively, of brick from GFI in arm's length transactions in the normal course of business for resale to third parties. The Company eliminated intra-entity profits or losses for its proportionate share of GFI's common stock for inventory still remaining with the Company until such profits or losses were realized in transactions with third parties. Amounts due to GFI for Company purchases were not significant at September 30, 2022 and 2021.

The Company's equity method investment is reviewed for impairment on a periodic basis or if an event occurs or circumstances change that indicate the carrying amount may be impaired. This assessment is based on a review of the investment's performance and a review of indicators of impairment to determine if there is evidence of a loss in value of the investment. Factors the Company considers include:

- Absence of the Company's ability to recover the carrying amount;
- Inability of the equity affiliate to sustain an earnings capacity which would justify the carrying amount of the investment; and
- Significant litigation, bankruptcy or other events that could impact recoverability.

For an equity investment with impairment indicators, the Company measures fair value on the basis of discounted cash flows or other appropriate valuation methods. If it is probable that the Company will not recover the carrying amount of its investment, the impairment is recorded in earnings, and the equity investment balance is reduced to its fair value accordingly. After review, the Company does not consider its equity method investment, for which fair value approximates carrying value, to be impaired at September 30, 2022 or December 31, 2021.

(9) PENSION AND OTHER POSTRETIREMENT BENEFITS

The following table presents the components of net periodic pension and postretirement benefit costs for the three months ended September 30, 2022 and 2021:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Service Cost	\$ 341,297	\$ 552,425	\$ 72,778	\$ 108,479
Interest Cost	581,424	42,444	138,863	58,329
Less: Expected return on plan assets	1,294,709	(117,301)	-	-
Amortization of prior service cost	(10,795)	51	(51,798)	(360,357)
Recognized net actuarial loss	(420,211)	98,144	(39,243)	122,632
Net periodic (benefit) expense	<u>\$ (802,994)</u>	<u>\$ 810,365</u>	<u>\$ 120,600</u>	<u>\$ (70,917)</u>

The following table presents the components of net periodic pension and postretirement benefit costs for the nine months ended September 30, 2022 and 2021:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Service Cost	\$ 1,164,761	\$ 1,208,802	\$ 239,482	\$ 259,004
Interest Cost	1,344,502	918,296	337,155	305,896
Less: Expected return on plan assets	3,034,471	1,558,737	-	-
Amortization of prior service cost	5,155	31,216	(1,172,301)	(1,576,178)
Recognized net actuarial loss	787,845	1,010,558	296,256	381,198
Net periodic (benefit) expense	<u>\$ 267,792</u>	<u>\$ 1,610,135</u>	<u>\$ (299,408)</u>	<u>\$ (630,080)</u>

The components of net periodic benefit cost other than the service cost component are included in the line item Other, net in the income statement.

As previously disclosed in our financial statements for the year ended December 31, 2021, there are no minimum expected contributions to the pension plans for the year 2021. As of September 30, 2022, we have not contributed to this plan in 2022.

The other benefits consist of postretirement benefits that are self-insured by Monarch and are paid out of Monarch's general assets. As previously disclosed in our financial statements for the year ended December 31, 2021, Monarch expects expenditures of approximately \$991,000 for this plan in 2022. As of September 30, 2022, we have contributed approximately \$601,000 and anticipate contributing an additional \$390,000 to this plan in 2022 for a total of \$991,000.

(10) RECLASSIFICATION OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the reclassifications out of accumulated other comprehensive income and the affected line item in the statements where net income is presented for the three months ended September 30, 2022 and 2021:

Reclassification for	2022	2021
Net periodic pension and postretirement costs in:		
Other, net	\$ (522,047)	\$ (139,531)
Tax benefit (expense)	136,000	36,000
Net of tax	<u>\$ (386,047)</u>	<u>\$ (103,531)</u>

The following table presents the reclassifications out of accumulated other comprehensive income and the affected line item in the statements where net income is presented for the nine months ended September 30, 2022 and 2021:

Reclassification for	2022	2021
Net periodic pension and postretirement costs in:		
Other, net	\$ (83,044)	\$ (153,206)
Tax benefit (expense)	22,000	40,000
Net of tax	<u>\$ (61,044)</u>	<u>\$ (113,206)</u>

(11) OTHER NONOPERATING INCOME OR EXPENSE

Other, net contains miscellaneous nonoperating income (expense) items other than interest income, interest expense, gains on sale of equity investments, unrealized gains (losses) on equity investments and dividend income.

(12) EARNINGS PER SHARE

Basic earnings per share of capital stock has been calculated based on the weighted average shares outstanding during each of the reporting periods. The weighted average number of shares outstanding was 3,771,081 and 3,765,033 in the third quarter and first nine months of 2022, respectively. The weighted average number of shares outstanding was 3,860,789 and 3,860,789 in the third quarter and first nine months of 2021, respectively. The Company has no capital stock equivalents and therefore, does not report diluted earnings per share.

(13) INCOME TAXES

The Company, or one of its subsidiaries, files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2018. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any significant interest expenses recognized during the three months ended September 30, 2022 or September 30, 2021.

(14) ACQUISITION

Pursuant to a Stock Exchange Agreement among the Company and the owners of American Concrete Co., Inc., ("American Concrete"), on July 29, 2022, the Company acquired all of the issued and outstanding shares of common stock of American Concrete, a ready-mix concrete company located in southeast Kansas. The purpose of the acquisition was to expand our ready-mixed concrete business in the region. The aggregate consideration paid by the Company at closing was approximately \$1.6 million consisting of 15,239 shares of the Company's capital stock valued at \$1.6 million based on the July 29, 2022, price per share of \$105.00.

In accordance with Accounting Standards Codification (ASC) 805, the Company determined the assets and liabilities acquired constituted a business and applied purchase accounting to the assets acquired and the liabilities assumed. Since American Concrete is not a substantial subsidiary, pro forma information is not provided for the combined entity. The following table summarizes the consideration paid for acquisition of the assets acquired and the liabilities assumed at the acquisition date as well as the fair value at the acquisition date:

Consideration:	
Cash paid, gross	\$ 18,939
Fair value of Monarch stock given	
15,239 shares at \$105.00 per share	1,600,095
	<u>1,619,034</u>
Fair Value of assets acquired and liabilities assumed:	
Assets	
Cash	\$ 103,060
Prepays	4,192
Accounts receivable	444,286
Inventories	111,665
Other current assets	195
Property, plant and equipment	1,540,480
Liabilities	
Accounts payable	(215,299)
Accrued liabilities	(32,545)
Deferred taxes	(337,000)
Total:	<u>\$ 1,619,034</u>