

# **CEDAR FUND, L.P.**

Financial Statements  
Years Ended December 31, 2004 and 2003

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# CEDAR FUND, L.P.

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## Independent Auditors' Report

General and Limited Partners  
Cedar Fund, L.P.  
Richmond, Indiana

We have audited the accompanying statements of assets and liabilities of Cedar Fund, L.P. as of December 31, 2004 and 2003, and the related statements of investments in securities, operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Fund, L.P. as of December 31, 2004 and 2003, and the results of its operations and changes in its net assets for the years then ended in conformity with auditing standards generally accepted in the United States of America.

*Ramsey, Rodefeld, Kassens & North, LLP*

February 11, 2005

**CEDAR FUND, L.P.**  
**Statements of Assets and Liabilities**

<b>December 31</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Investments - at market value (cost - \$8,423,574 and \$7,602,752)	\$ 18,795,743	\$ 17,405,313
Cash and cash equivalents	1,446,854	142,429
Dividends and interest receivable	<u>2,157</u>	<u>91</u>
	<u>20,244,754</u>	<u>17,547,833</u>
<b>Liabilities</b>		
Accrued professional fees	4,600	4,600
Investment advisory fees payable	33,244	29,005
Accrued bank custodial fees	<u>982</u>	<u>651</u>
	<u>38,826</u>	<u>34,256</u>
<b>Net Assets</b>	<u>\$ 20,205,928</u>	<u>\$ 17,513,577</u>
Net assets applicable to general partner	\$ 141,597	\$ 130,322
Net assets applicable to limited partners	<u>20,064,331</u>	<u>17,383,255</u>
	<u>\$ 20,205,928</u>	<u>\$ 17,513,577</u>
Limited partners-units outstanding	<u>9,543.9497</u>	<u>8,767.6132</u>
Limited partners-net asset value per unit	<u>\$ 2,102.3089</u>	<u>\$ 1,982.6668</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
Investments in Securities

December 31, 2004	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc.	91	\$ 784,068	\$ 7,998,900	42.5
<b>Mutual Funds</b>				
Clipper Fund	9,582.627	836,238	859,370	4.6
FPA Capital Fund, Inc.	28,481.670	882,360	1,138,697	6.1
FPA Crescent Portfolio	44,025.868	1,005,692	1,036,809	5.5
Longleaf Small Cap Fund	24,576.707	578,407	733,615	3.9
Tweedy Browne Global Value Fund	29,233.238	445,987	677,919	3.6
		<u>3,748,684</u>	<u>4,446,410</u>	<u>23.7</u>
<b>Limited Partnership</b>				
Harfam Partners	926.4318	3,890,822	6,350,433	33.8
		<u>\$ 8,423,574</u>	<u>\$ 18,795,743</u>	<u>100.0</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
Investments in Securities

December 31, 2003	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc.	93	\$ 690,424	\$ 7,835,250	45.0
<b>Mutual Funds</b>				
FPA Capital Fund, Inc.	19,795.153	544,178	729,451	4.2
Legg Mason Value Trust Fund	8,350.157	558,164	486,480	2.8
Longleaf Small Cap Fund	22,184.262	507,747	639,129	3.7
Selected American Mutual Fund	15,936.913	534,942	528,627	3.0
Sequoia Fund, Inc.	5,543.846	742,882	818,327	4.7
Tweedy Browne Global Value Fund	28,894.305	436,716	564,884	3.2
		<u>3,324,629</u>	<u>3,766,898</u>	<u>21.6</u>
<b>Limited Partnership</b>				
Harfam Partners	926.4318	3,587,699	5,803,165	33.4
		<u>\$ 7,602,752</u>	<u>\$ 17,405,313</u>	<u>100.0</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Statements of Operations**

<b>Year Ended December 31</b>	<b>2004</b>	<b>2003</b>
<b>Investment Income</b>		
Income		
Ordinary and capital gain dividends on mutual funds	\$ 153,731	\$ 28,847
Interest income	11,241	2,719
Partnership net investment income	<u>274,136</u>	<u>79,149</u>
Total income	<u>439,108</u>	<u>110,715</u>
Expenses		
Investment advisory fee	193,668	153,275
Custodial fees	10,237	6,949
Accounting and auditing fees	<u>4,600</u>	<u>4,600</u>
Total expenses	<u>208,505</u>	<u>164,824</u>
Net investment income (loss)	<u>230,603</u>	<u>(54,109)</u>
<b>Realized and Unrealized Gain on Investments</b>		
Realized gain on security transactions		
Sales proceeds	2,234,400	
Cost	<u>2,044,500</u>	
Realized gain	189,900	
Unrealized gain on investments during the year	<u>569,608</u>	<u>2,939,899</u>
Net realized and unrealized gain on investments	<u>759,508</u>	<u>2,939,899</u>
<b>Increase in Net Assets From Operations</b>	<u>\$ 990,111</u>	<u>\$ 2,885,790</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Statements of Changes in Net Assets**

Year Ended December 31	2004	2003
<b>Increase in Net Assets</b>		
From operations		
Net investment income (loss)	\$ 230,603	\$ (54,109)
Realized gain from security transactions	189,900	
Unrealized gain on investments	<u>569,608</u>	<u>2,939,899</u>
Net increase in net assets from operations	<u>990,111</u>	<u>2,885,790</u>
From partner transactions		
Capital contributions by limited partners (units - 935.5715 and 66.8883)	2,026,678	128,092
Capital withdrawals by limited partners (units - 159.2350 and 160.7949)	<u>(324,438)</u>	<u>(262,618)</u>
Net increase (decrease) from partner transactions	<u>1,702,240</u>	<u>(134,526)</u>
<b>Increase in Net Assets</b>	<b>2,692,351</b>	<b>2,751,264</b>
<b>Net Assets, Beginning of Year</b>	<u><b>17,513,577</b></u>	<u><b>14,762,313</b></u>
<b>Net Assets, End of Year</b>	<u><u><b>\$ 20,205,928</b></u></u>	<u><u><b>\$ 17,513,577</b></u></u>

See notes to financial statements.



# **CEDAR FUND, L.P.**

## **Notes to Financial Statements**

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

Cedar Fund, L.P. is an Indiana limited partnership formed on July 1, 1988. The purpose of the partnership is to seek long-term capital growth by investing its assets primarily in common stocks and other equity-type securities. The general partner of Cedar Fund, L.P. is Harris Harper Counsel, Inc. At December 31, 2004, there were 49 limited partners in the Partnership. The liability of each limited partner is limited to the value of his/her units of ownership.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Investments**

Investments are carried at market value. Securities traded on a national securities exchange are valued at the last sale price on the last business day of the year. Mutual funds are valued at their net asset value on the last business day of the year. A limited partnership investment is valued at its net asset value on the last day of the year. Investment transactions are accounted for on the trade date. The net realized gain or loss on security transactions is determined, for accounting and tax purposes, on the specific-identification basis.

#### **Investment Income**

The Partnership follows industry practice and records security transactions on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

#### **Investment Expenses**

Investment expenses are recorded on the accrual basis.

#### **Income Tax Status**

The Partnership is not subject to federal or state income tax. The partners must include their proportionate share of the Partnership's taxable income in their personal income tax returns, whether or not it is distributed to them.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits in money market accounts. At December 31, 2004, the Partnership's cash accounts were not covered by federal insurance.

### **Note 2 - Investment Advisory Agreement**

Pursuant to an investment advisory agreement, the Partnership has retained its general partner, Harris Harper Counsel, Inc., as its investment advisor. Harris Harper Counsel, Inc. provides investment advice, administrative services and facilities in return for an annual management fee of 1% of the Partnership's average monthly net asset values.

**CEDAR FUND, L.P.**  
**Notes to Financial Statements**

**Note 3 - Investment in Harfam Partners**

The Partnership has an investment in Harfam Partners, an Indiana limited partnership. Harfam Partners owns a diversified portfolio of securities, primarily common stocks. The Partnership's investment was valued at \$6,350,433 and \$5,803,165 on December 31, 2004 and 2003. Its investment represented a 53% and 51% ownership interest in Harfam Partners at December 31, 2004 and 2003. The owners of Harris Harper Counsel, Inc., the general partner and investment advisor of Cedar Fund, L.P., are general partners in Harfam Partners. The Partnership's investment in Harfam Partners represented approximately 33% of total investment assets at December 31, 2004 and 2003.

**Note 4 - Major Investment**

The Partnership had 43% and 45% of its total investment assets in one common stock as of December 31, 2004 and 2003.