

**CEDAR FUND, L.P.**

Financial Statements  
Years Ended December 31, 2016 and 2015

**Rodefeld, Kassens & North, LLP**  
CPAs and Business Advisors  
808 South A Street, Suite 1  
Richmond, IN 47374

# CEDAR FUND, L.P.

## Table of Contents

	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Financial Statements</b>	
Statements of assets and liabilities	<b>2</b>
Schedule of investments	<b>3 - 4</b>
Statements of operations	<b>5</b>
Statements of changes in net assets	<b>6</b>
Notes to financial statements	<b>7 - 9</b>



## Independent Auditors' Report

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

We have audited the accompanying financial statements of Cedar Fund, L.P., which comprise the statements of assets and liabilities and schedule of investments as of December 31, 2016 and 2015, and the related statements of operations and changes in net assets for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2016 and 2015, and the results of its operations and changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Rodefeld, Kassens & North, LLP*

March 24, 2017

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

December 31	2016	2015
<b>Assets</b>		
Investments - at market value (cost - \$13,826,984 and \$15,701,154)	\$ 21,700,368	\$ 26,678,934
Cash and cash equivalents	476,066	839,043
Dividends and interest receivable	201	227
	<b>22,176,635</b>	<b>27,518,204</b>
<b>Liabilities</b>		
Accrued professional fees	4,900	4,900
Investment advisory fees payable	38,568	46,295
Accrued bank custodial fees	1,572	1,937
Accrued taxes payable	9,106	144
	<b>54,146</b>	<b>53,276</b>
<b>Net Assets</b>	<b>\$ 22,122,489</b>	<b>\$ 27,464,928</b>
Net assets applicable to general partner	\$ 111,206	\$ 87,052
Net assets applicable to limited partners	<b>22,011,283</b>	<b>27,377,876</b>
	<b>\$ 22,122,489</b>	<b>\$ 27,464,928</b>
Limited partners-units outstanding	<b>5,836.0744</b>	<b>8,023.8288</b>
Limited partners-net asset value per unit	<b>\$ 3,771.5906</b>	<b>\$ 3,412.0713</b>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Schedule of Investments**

December 31, 2016	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc. - Class A	27	\$ 1,174,266	\$ 6,591,267	30.4
<b>Mutual Funds</b>				
First Eagle Global Fund - Class I	46,741.997	2,281,974	2,546,972	11.7
FPA Capital Fund, Inc.	27,880.691	1,057,401	1,053,890	4.9
FPA Crescent Fund - Class I	77,188.068	2,070,830	2,517,103	11.6
IVA Worldwide Fund - Class I	57,996.533	805,796	996,960	4.6
Longleaf Partners Small-Cap Fund	72,313.132	1,971,095	1,987,888	9.2
Sequoia Fund, Inc.	11,229.357	1,880,071	1,811,183	8.3
Tweedy Browne Global Value Fund	40,777.385	891,130	1,021,066	4.7
		<u>10,958,297</u>	<u>11,935,062</u>	<u>55.0</u>
<b>Limited Partnership</b>				
Harfam Partners	299.7807	1,694,421	3,174,039	14.6
		<u>\$ 13,826,984</u>	<u>\$ 21,700,368</u>	<u>100.0</u>

See notes to financial statements.

**CEDAR FUND, L.P.**  
**Schedule of Investments (continued)**

December 31, 2015	Number of Shares/Units	Cost	Value	Percent of Total Value
<b>Common Stock</b>				
Berkshire Hathaway, Inc. - Class A	43	\$ 892,764	\$ 8,505,400	31.9
<b>Mutual Funds</b>				
First Eagle Global Fund - Class I	65,576.653	3,006,095	3,380,476	12.6
FPA Capital Fund, Inc.	58,652.002	2,098,563	1,897,979	7.1
FPA Crescent Fund - Class I	73,504.301	1,864,093	2,283,044	8.6
IVA Worldwide Fund - Class I	77,296.185	1,001,699	1,262,247	4.7
Longleaf Partners Small-Cap Fund	66,947.254	1,797,102	1,806,237	6.8
Sequoia Fund, Inc.	9,386.845	1,578,561	1,945,517	7.3
Tweedy Browne Global Value Fund	54,322.184	1,057,244	1,328,721	5.0
		<u>12,403,357</u>	<u>13,904,221</u>	<u>52.1</u>
<b>Limited Partnership</b>				
Harfam Partners	411.4678	2,405,033	4,269,313	16.0
		<u>\$ 15,701,154</u>	<u>\$ 26,678,934</u>	<u>100.0</u>

See notes to financial statements.

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

Year Ended December 31	2016	2015
<b>Investment Income</b>		
Income		
Ordinary and mutual fund capital gain dividends	\$ 977,374	\$ 524,251
Interest income	2,029	2,120
Partnership net investment income	350,719	109,334
Total income	<u>1,330,122</u>	<u>635,705</u>
Expenses		
Investment advisory fees	247,557	302,225
Custodial and other investment fees	21,304	24,859
Accounting and auditing fees	4,900	4,950
Total expenses	<u>273,761</u>	<u>332,034</u>
Net investment income	<u>1,056,361</u>	<u>303,671</u>
<b>Realized Gain and Unrealized Depreciation on Investments</b>		
Realized gain on security transactions		
Sales proceeds	5,774,403	1,272,576
Less cost	2,907,311	120,033
Realized gain	<u>2,867,092</u>	<u>1,152,543</u>
Unrealized depreciation on investments during the year	<u>(3,104,396)</u>	<u>(4,420,520)</u>
Net realized gain and unrealized depreciation on investments	<u>(237,304)</u>	<u>(3,267,977)</u>
<b>Increase (Decrease) in Net Assets From Operations</b>	<u>\$ 819,057</u>	<u>\$ (2,964,306)</u>

See notes to financial statements.

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

Year Ended December 31	2016	2015
<b>Decrease in Net Assets</b>		
<b>From Operations:</b>		
Net investment income	\$ 1,056,361	\$ 303,671
Realized gain from security transactions	2,867,092	1,152,543
Unrealized depreciation on investments	<u>(3,104,396)</u>	<u>(4,420,520)</u>
Net increase (decrease) from operations	<u>819,057</u>	<u>(2,964,306)</u>
<b>From partner transactions:</b>		
Capital contributions by limited partners (units - 449.2282 and 71.7021)	1,800,670	396,520
Capital contributions by general partner	38,910	
Capital withdrawals by limited partners (units - 2,636.9826 and 557.9425)	(8,001,076)	(2,036,951)
Capital withdrawals by general partner		<u>(105,000)</u>
Net decrease from partner transactions	<u>(6,161,496)</u>	<u>(1,745,431)</u>
<b>Decrease in Net Assets</b>	<b>(5,342,439)</b>	<b>(4,709,737)</b>
<b>Net Assets, Beginning of Year</b>	<b><u>27,464,928</u></b>	<b><u>32,174,665</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 22,122,489</u></b>	<b><u>\$ 27,464,928</u></b>

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. During 2016, there were 51 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 fair value. Fair value is the amount that would be received from selling an asset in an orderly transaction between market participants at the measurement date. For securities with observable market quotations, the Partnership values these investments based upon current market quotations or pricing sources. In the absence of observable market quotations, investments are valued by procedures adopted by the General Partner. The General Partner utilizes data from a variety of sources, taking into account the characteristics of the security, any changes in the credit quality of the securities in the portfolio, the overall movement of interest rates, current market conditions and other factors, which in the General Partner's good faith and judgment are relevant to the value of the security. Because of the inherent uncertainty of valuation, the fair values estimated by the General Partner may not necessarily represent amounts that could be realized from sales or dispositions of investments, and the differences may be material.

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 and interest income are 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.

The Partnership's Forms 1065, *U.S. Return of Partnership Income*, for the years ended 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after their original due date.

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

**Note 1 (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash deposits in money market accounts. At December 31, 2016 and 2015, the Partnership's cash accounts were not covered by federal insurance.

**Date of Management's Review**

Management has evaluated subsequent events through March 24, 2017, the date on which the financial statements were available to be issued.

**Note 2 - Investment Advisory Agreement**

Pursuant to an investment advisory agreement, the Partnership has retained its general partner, Harris Harper Counsel, Inc., as its primary 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. The investment advisory fees paid to Harris Harper Counsel, Inc. were \$247,557 and \$302,225 for the years ended December 31, 2016 and 2015.

**Note 3 - Investments**

Investments consist of the following:

December 31	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 1,174,266	\$ 6,591,267	\$ 892,764	\$ 8,505,400
Mutual Funds	10,958,297	11,935,062	12,403,357	13,904,221
Limited partnership	1,694,421	3,174,039	2,405,033	4,269,313
	<u>\$ 13,826,984</u>	<u>\$ 21,700,368</u>	<u>\$ 15,701,154</u>	<u>\$ 26,678,934</u>

The Partnership follows guidance which requires enhanced disclosures about investments that are measured and reported at fair value. This guidance establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level I Measurements) and the lowest priority to unobservable pricing inputs (Level III Measurements). The three levels of the fair value hierarchy are described below:

- Level I- Valuations are based on unadjusted, quoted prices in active markets for identical, unrestricted assets or liabilities;
- Level II- Valuations are based on quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active;
- Level III- Prices or valuations that are unobservable and where there is little, if any, market activity for the investments. The inputs into the determination of fair value for these investments require significant judgment or estimation.

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

**Note 3 (continued)**

Fair value measurements are as follows:

	December 31, 2016			
	Level I	Level II	Level III	Total
Common stock	\$ 6,591,267			\$ 6,591,267
Mutual Funds	11,935,062			11,935,062
Limited partnership		\$ 3,174,039		3,174,039
	<b>\$ 18,526,329</b>	<b>\$ 3,174,039</b>	<b>\$ -</b>	<b>\$ 21,700,368</b>

	December 31, 2015			
	Level I	Level II	Level III	Total
Common stock	\$ 8,505,400			\$ 8,505,400
Mutual Funds	13,904,221			13,904,221
Limited partnership		\$ 4,269,313		4,269,313
	<b>\$ 22,409,621</b>	<b>\$ 4,269,313</b>	<b>\$ -</b>	<b>\$ 26,678,934</b>

**Note 4 - Investment in Harfam Partners**

The Partnership has an investment in Harfam Partners, an Indiana limited partnership. Harfam Partners owns a diversified portfolio of securities, including common stocks and mutual and hedge funds that hold primarily common stocks. The Partnership's investment was valued at \$3,174,039 and \$4,269,313 on December 31, 2016 and 2015. Its investment represented a 37% and 45% ownership interest in Harfam Partners at December 31, 2016 and 2015, respectively. The stockholders of Harris Harper Counsel, Inc., the general partner and investment advisor of Cedar Fund, L.P., have controlling interests in Harfam Partners. The Partnership's investment in Harfam Partners represented approximately 15% and 16% of total investment assets at December 31, 2016 and 2015, respectively.

**Note 5 - Major Investment**

The Partnership had 30% and 32% of its total investment assets in one common stock as of December 31, 2016 and 2015, respectively.