

CEDAR FUND, L.P.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CEDAR FUND, L.P.

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YEARS ENDED DECEMBER 31, 2019 AND 2018

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BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Cedar Fund, L.P.**, which comprise the balance sheets as of December 31, 2019 and 2018, and the related schedules of investments, statements of operations and changes in partners' capital 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 auditor considers 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.

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INDEPENDENT AUDITORS' REPORT

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, 2019 and 2018, and the results of its operations and changes in partners' capital for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brady, Ware & Schoenfeld, Inc.

Richmond, Indiana
March 31, 2020

CEDAR FUND, L.P.**BALANCE SHEETS****DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments - at market value (cost - \$14,021,357 and \$15,020,939)	\$ 22,448,720	\$ 21,425,367
Cash and cash equivalents	131,162	125,507
Dividends and interest receivable	193	<u>52</u>
Total assets	<u>\$ 22,580,075</u>	<u>\$ 21,550,926</u>
LIABILITIES		
Accrued professional fees	\$ 5,200	\$ 5,095
Investment advisory fees payable	37,186	37,052
Accrued bank custodial fees	1,554	1,524
Partner deposits, advances, other	11	<u>-</u>
Total liabilities	<u>43,951</u>	<u>43,671</u>
PARTNERS' CAPITAL		
General Partner's capital	162,691	130,510
Limited Partners' capital	<u>22,373,433</u>	<u>21,376,745</u>
Total partners' capital	<u>22,536,124</u>	<u>21,507,255</u>
Total liabilities and partners' capital	<u>\$ 22,580,075</u>	<u>\$ 21,550,926</u>
Limited Partner units outstanding	<u>4,714.1051</u>	<u>5,204.8245</u>
Value per Limited Partner unit	<u>\$ 4,746.0615</u>	<u>\$ 4,107.1019</u>

CEDAR FUND, L.P.**SCHEDULE OF INVESTMENTS****DECEMBER 31, 2019**

	<u>Number of Shares/Units</u>	<u>Cost</u>	<u>Value</u>	<u>Percent of Total Value</u>
COMMON STOCK				
Berkshire Hathaway, Inc. - Class A	21	\$ 1,056,629	\$ 7,131,390	31.8
MUTUAL FUNDS				
First Eagle Global Fund - Class I	50,009.943	2,507,603	2,911,079	13.0
FPA Crescent Fund - Class I	85,242.544	2,386,579	2,883,755	12.8
IVA Worldwide Fund - Class I	65,982.528	964,998	1,102,568	4.9
Longleaf Partners Small-Cap Fund	42,816.560	1,038,229	1,039,158	4.6
Sequoia Fund, Inc.	14,935.105	2,360,920	2,348,844	10.5
Tweedy Browne Global Value Fund	39,094.088	914,839	1,094,244	4.9
		10,173,168	11,379,648	50.7
LIMITED PARTNERSHIP				
Harfam Partners	281.6282	2,791,560	3,937,682	17.5
		<u>\$ 14,021,357</u>	<u>\$ 22,448,720</u>	<u>100.0</u>

CEDAR FUND, L.P.**SCHEDULE OF INVESTMENTS****DECEMBER 31, 2018**

	<u>Number of Shares/Units</u>	<u>Cost</u>	<u>Value</u>	<u>Percent of Total Value</u>
COMMON STOCK				
Berkshire Hathaway, Inc. - Class A	24	\$ 1,199,591	\$ 7,344,000	34.2
MUTUAL FUNDS				
First Eagle Global Fund - Class I	47,283.677	2,349,621	2,416,196	11.3
FPA Crescent Fund - Class I	81,365.389	2,256,240	2,402,720	11.2
IVA Worldwide Fund - Class I	61,426.485	888,740	978,524	4.6
Longleaf Partners Small-Cap Fund	88,350.408	2,385,892	1,952,544	9.1
Sequoia Fund, Inc.	16,016.665	2,583,791	2,117,403	9.9
Tweedy Browne Global Value Fund	38,366.918	894,453	954,569	4.5
		11,358,737	10,821,956	50.6
LIMITED PARTNERSHIP				
Harfam Partners	281.6282	2,462,611	3,259,411	15.2
		\$ 15,020,939	\$ 21,425,367	100.0

CEDAR FUND, L.P.

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
INVESTMENT INCOME		
Income		
Ordinary and mutual fund capital gain dividends	\$ 647,156	\$ 1,248,890
Interest income	7,558	2,881
Partnership net investment income	<u>326,334</u>	<u>448,838</u>
Total income	981,048	1,700,609
Expenses		
Investment advisory fees	223,065	230,890
Custodial and other Investment fees	18,643	19,597
Accounting and auditing fees	<u>5,290</u>	<u>5,200</u>
Total expenses	<u>246,998</u>	<u>255,687</u>
Net investment income	734,050	1,444,922
REALIZED AND UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS		
Realized gain on security transactions		
Sales proceeds	2,434,227	-
Less cost	<u>1,985,673</u>	<u>-</u>
Realized gain	448,554	-
Unrealized appreciation (depreciation) on investments during the year	<u>2,022,935</u>	<u>(2,453,270)</u>
Net realized gain and unrealized appreciation (depreciation) on investments	<u>2,471,489</u>	<u>(2,453,270)</u>
INCREASE (DECREASE) IN PARTNERS' CAPITAL FROM OPERATIONS	<u>\$ 3,205,539</u>	<u>\$ (1,008,348)</u>

CEDAR FUND, L.P.

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
INCREASE (DECREASE) IN PARTNERS' CAPITAL FROM OPERATIONS		
Net investment income	\$ 734,050	\$ 1,444,922
Realized gain from security transactions	448,554	-
Unrealized appreciation (depreciation) on investments	<u>2,022,935</u>	<u>(2,453,270)</u>
Net increase (decrease) from operations	<u>3,205,539</u>	<u>(1,008,348)</u>
From Partner transactions:		
Capital contributions by Limited Partners (units - 430.8458 and 338.6315 in 2018)	1,097,154	1,040,111
Capital withdrawals by Limited Partners (units - 921.5652 and 560.1020)	(3,286,425)	(1,994,995)
Increase in capital basis Limited Partner	<u>12,601</u>	<u>7,473</u>
Decrease from partner transactions	<u>(2,176,670)</u>	<u>(947,411)</u>
INCREASE (DECREASE) IN PARTNERS' CAPITAL	1,028,869	(1,955,759)
PARTNERS' CAPITAL		
Beginning of year	<u>21,507,255</u>	<u>23,463,014</u>
End of year	<u>\$ 22,536,124</u>	<u>\$ 21,507,255</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Cedar Fund, L.P. (the "Partnership") 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 2019, there were 37 Limited Partners in the Partnership. The liability of each Limited Partner is limited to the value of his/her units of ownership.

Financial Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue 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. Unrealized appreciation and depreciation is reflected in the increase or decrease from operations.

Investment Expenses - Investment expenses are recorded on the accrual basis.

Income Taxes - 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.

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Partnership's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. No significant uncertain tax positions exist as of December 31, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents - Cash and cash equivalents consist of cash deposits in money market accounts. At December 31, 2019 and 2018, the Partnership's cash accounts were not covered by federal insurance.

Reclassifications - Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Subsequent Events - In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 31, 2020, the date the financial statements were available to be issued.

The COVID-19 pandemic is having a significant adverse impact on the United States economy, the stock market, and the normal operations of most businesses. The severity of the impact of this pandemic on the fair value of the Partnership's investments, financial position and long-term operations is not known at this time.

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 \$223,065 and \$230,890 for the years 2019 and 2018.

NOTE 3 - INVESTMENTS

Investments consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 1,056,629	\$ 7,131,390	\$ 1,199,591	\$ 7,344,000
Mutual funds	10,173,168	11,379,648	11,358,737	10,821,956
Limited partnership	2,791,560	3,937,682	2,462,611	3,259,411
	<u>\$ 14,021,357</u>	<u>\$ 22,448,720</u>	<u>\$ 15,020,939</u>	<u>\$ 21,425,367</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The Partnership's investments in common stock, mutual funds and a limited partnership are reflected at fair value as determined annually. Fair value is defined as 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 in the principal or most advantageous market. The Partnership uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS - continued

Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data. The Partnership had no Level 3 assets at December 31, 2019 and 2018.

The Partnership uses valuation techniques in a consistent manner from year-to-year. The Partnership's Board of Advisors approved the investment valuation at December 31, 2019 and 2018. Fair values of the Partnership's financial assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	2019			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 7,131,390	\$ 7,131,390	\$ -	\$ -
Mutual funds	11,379,648	11,379,648	-	-
Limited Partnership	<u>3,937,682</u>	<u>-</u>	<u>3,937,682</u>	<u>-</u>
	<u>\$ 22,448,720</u>	<u>\$ 18,511,038</u>	<u>\$ 3,937,682</u>	<u>\$ -</u>
	2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 7,344,000	\$ 7,344,000	\$ -	\$ -
Mutual funds	10,821,956	10,821,956	-	-
Limited Partnership	<u>3,259,411</u>	<u>-</u>	<u>3,259,411</u>	<u>-</u>
	<u>\$ 21,425,367</u>	<u>\$ 18,165,956</u>	<u>\$ 3,259,411</u>	<u>\$ -</u>

Common stock and mutual funds: The valuation of these investments is based on quoted market prices.

Limited Partnership: The valuation of these investments is provided by Harfam Partners and is based on the underlying value of the Partnership's securities that are based on quoted market prices.

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

NOTE 5 - 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 \$3,937,682 and \$3,259,411 on December 31, 2019 and 2018. Its investment represented a 47% and 41% ownership interest in Harfam Partners at December 31, 2019 and 2018. The stockholder of Harris Harper Counsel, Inc., the General Partner and investment advisor of Cedar Fund, L.P., has controlling interests in Harfam Partners. The Partnership's investment in Harfam Partners represented approximately 18% and 15% of total investment assets at December 31, 2019 and 2018.

NOTE 6 - MAJOR INVESTMENT

The Partnership had 32% and 34% of its total investment assets in one common stock as of December 31, 2019 and 2018.