

**CEDAR FUND, L.P.**

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

**CEDAR FUND, L.P.**

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**BRADY WARE**  
& SCHOENFELD

## INDEPENDENT AUDITORS' REPORT

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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 balance sheets as of December 31, 2018, and the related schedule of investments, statements of operations and changes in partners' capital for the year 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 audit. 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.

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## INDEPENDENT AUDITORS' REPORT – CONTINUED

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

The financial statements as of December 31, 2017 were audited by Rodefeld, Kassens & North, LLP who merged with Brady Ware & Schoenfeld, Inc. as of January 1, 2019, and whose report dated March 19, 2018, expressed an unmodified opinion on those financial statements.



Richmond, Indiana  
April 26, 2019

**CEDAR FUND, L.P.****BALANCE SHEETS**

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Investments - at market value (cost - \$15,020,939 and \$13,315,737)	\$ 21,425,367	\$ 22,173,435
Cash and cash equivalents	125,507	1,334,771
Dividends and interest receivable	52	547
	<u>21,550,926</u>	<u>23,508,753</u>
<b>LIABILITIES</b>		
Accrued professional fees	5,095	4,990
Investment advisory fees payable	37,052	38,943
Accrued bank custodial fees	1,524	1,661
Accrued taxes payable	-	145
	<u>43,671</u>	<u>45,739</u>
<b>PARTNERS' CAPITAL</b>	<u>\$ 21,507,255</u>	<u>\$ 23,463,014</u>
<b>SUPPLEMENTARY PARTNERS' CAPITAL INFORMATION</b>		
General Partner capital	\$ 130,510	\$ 140,519
Limited Partners' capital	<u>21,376,745</u>	<u>23,322,495</u>
	<u>\$ 21,507,255</u>	<u>\$ 23,463,014</u>
Limited Partner units outstanding	<u>5,204.8245</u>	<u>5,426.295</u>
Value per Limited Partner unit	<u>\$ 4,107.1019</u>	<u>\$ 4,298.0515</u>

**CEDAR FUND, L.P.****SCHEDULE OF INVESTMENTS**

December 31, 2018

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	<u>Number of Shares/Units</u>	<u>Cost</u>	<u>Value</u>	<u>Percent of Total Value</u>
<b>COMMON STOCK</b>				
Berkshire Hathaway, Inc. - Class A	24	\$ 1,199,591	\$ 7,344,000	34.2
<b>MUTUAL FUNDS</b>				
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
<b>LIMITED PARTNERSHIP</b>				
Harfam Partners	281.6282	2,462,611	3,259,411	15.2
		<u>\$ 15,020,939</u>	<u>\$ 21,425,367</u>	<u>100.0</u>

**CEDAR FUND, L.P.****SCHEDULE OF INVESTMENTS**

December 31, 2017

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	<u>Number of Shares/Units</u>	<u>Cost</u>	<u>Value</u>	<u>Percent of Total Value</u>
<b>COMMON STOCK</b>				
Berkshire Hathaway, Inc. - Class A	24	\$ 1,195,694	\$ 7,142,400	32.2
<b>MUTUAL FUNDS</b>				
First Eagle Global Fund - Class I	44,405.877	2,198,130	2,633,712	11.9
FPA Crescent Fund - Class I	74,820.778	2,058,565	2,595,533	11.7
IVA Worldwide Fund - Class I	55,789.953	796,641	1,055,546	4.8
Longleaf Partners Small-Cap Fund	75,676.762	2,075,215	2,088,679	9.4
Sequoia Fund, Inc.	12,824.021	2,145,291	2,174,441	9.8
Tweedy Browne Global Value Fund	35,900.505	834,113	1,022,805	4.6
		10,107,955	11,570,716	52.2
<b>LIMITED PARTNERSHIP</b>				
Harfam Partners	281.6282	2,012,088	3,460,319	15.6
		<u>\$ 13,315,737</u>	<u>\$ 22,173,435</u>	<u>100.0</u>

**CEDAR FUND, L.P.****STATEMENTS OF OPERATIONS**

Years Ended December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>INVESTMENT INCOME</b>		
Income		
Ordinary and mutual fund capital gain dividends	\$ 1,248,890	\$ 682,386
Interest income	2,881	3,604
Partnership net investment income	<u>448,838</u>	<u>494,543</u>
Total income	<u>1,700,609</u>	<u>1,180,533</u>
Expenses		
Investment advisory fees	230,890	224,822
Custodial and other investment fees	19,597	19,242
Accounting and auditing fees	<u>5,200</u>	<u>5,080</u>
Total expenses	<u>255,687</u>	<u>249,144</u>
Net investment income	<u>1,444,922</u>	<u>931,389</u>
<b>REALIZED GAIN AND UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>		
Realized gain on security transactions		
Sales proceeds	-	2,503,785
Less cost	<u>-</u>	<u>1,736,857</u>
Realized gain	-	766,928
Unrealized appreciation (depreciation) on investments during the year	<u>(2,453,270)</u>	<u>984,314</u>
Net realized gain and unrealized appreciation (depreciation) on investments	<u>(2,453,270)</u>	<u>1,751,242</u>
<b>INCREASE (DECREASE) IN PARTNERS' CAPITAL FROM OPERATIONS</b>	<u>\$ (1,008,348)</u>	<u>\$ 2,682,631</u>



**CEDAR FUND, L.P.****STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**

Years Ended December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>INCREASE (DECREASE) IN PARTNERS' CAPITAL</b>		
From operations		
Net investment income	\$ 1,444,922	\$ 931,389
Realized gain from security transactions	-	766,928
Unrealized appreciation (depreciation) on investments	<u>(2,453,270)</u>	<u>984,314</u>
Net increase (decrease) from operations	<u>(1,008,348)</u>	<u>2,682,631</u>
From partner transactions:		
Capital contributions by Limited Partners (units - 338.6315 and 270.6030)	1,047,584	1,338,207
Capital withdrawals by Limited Partners (units - 560.1020 and 680.3824)	<u>(1,994,995)</u>	<u>(2,680,313)</u>
Net decrease from partner transactions	<u>(947,411)</u>	<u>(1,342,106)</u>
<b>INCREASE (DECREASE) IN PARTNERS' CAPITAL</b>	<b>(1,955,759)</b>	1,340,525
<b>PARTNERS' CAPITAL</b>		
Beginning of year	<u>23,463,014</u>	<u>22,122,489</u>
End of year	<u>\$ 21,507,255</u>	<u>\$ 23,463,014</u>

## CEDAR FUND, L.P.

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 – 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 2018, there were 38 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 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 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 2014, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after their original due date.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of cash deposits in money market accounts. At December 31, 2018 and 2017, the Partnership's cash accounts were not covered by federal insurance.

**Subsequent Events** – Management has evaluated subsequent events through April 26, 2019, the date on which the financial statements were available to be issued.

## CEDAR FUND, L.P.

### NOTES TO FINANCIAL STATEMENTS

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#### 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 \$230,890 and \$224,822 for the years 2018 and 2017.

#### NOTE 3 – INVESTMENTS

Investments consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 1,199,591	\$ 7,344,000	\$ 1,195,694	\$ 7,142,400
Mutual Funds	11,358,737	10,821,956	10,107,955	11,570,716
Limited partnership	2,462,611	3,259,411	2,012,088	3,460,319
	<b>\$ 15,020,939</b>	<b>\$ 21,425,367</b>	<b>\$ 13,315,737</b>	<b>\$ 22,173,435</b>

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

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#### NOTE 3 – INVESTMENTS – CONTINUED

Fair value measurements are as follows:

	December 31, 2018			
	Level I	Level II	Level III	Total
Common stock	\$ 7,344,000			\$ 7,344,000
Mutual Funds	10,821,956			10,821,956
Limited partnership		\$ 3,259,411		3,259,411
	<u>\$ 18,165,956</u>	<u>\$ 3,259,411</u>	<u>\$ -</u>	<u>\$ 21,425,367</u>

  

	December 31, 2017			
	Level I	Level II	Level III	Total
Common stock	\$ 7,142,400			\$ 7,142,400
Mutual Funds	11,570,716			11,570,716
Limited partnership		\$ 3,460,319		3,460,319
	<u>\$ 18,713,116</u>	<u>\$ 3,460,319</u>	<u>\$ -</u>	<u>\$ 22,173,435</u>

#### 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 \$3,259,411 and \$3,460,319 on December 31, 2018 and 2017. Its investment represented a 41% and 38% ownership interest in Harfam Partners at December 31, 2018 and 2017. 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, 2018 and 2017.

#### NOTE 5 – MAJOR INVESTMENT

The Partnership had 34% and 32% of its total investment assets in one common stock as of December 31, 2018 and 2017.