

PHILIP L. GRAHAM FUND

REPORT AND FINANCIAL STATEMENTS

December 31, 2004 and 2003

Report of Independent Auditors

To the Board of Trustees
Philip L. Graham Fund

We have audited the accompanying statements of net assets resulting from cash transactions of the Philip L. Graham Fund (the Fund) as of December 31, 2004 and 2003, and the related statements of revenue collected, expenses disbursed and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 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 audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets arising from cash transactions of The Philip L. Graham Fund as of December 31, 2004 and 2003, and the revenue collected and expenses disbursed, and changes in net assets and cash flows for the years then ended, on the basis of accounting described in Note 2.

PricewaterhouseCoopers LLP

McLean, VA
September 14, 2005

PHILIP L. GRAHAM FUND
STATEMENTS OF NET ASSETS
RESULTING FROM CASH TRANSACTIONS

	December 31,	
	2004	2003
Assets		
Cash and cash equivalents	\$ 17,967,108	\$ 41,710,463
Investments, at cost:		
United States Treasury and Federal Agency Notes (fair value - \$45,197,838 – 2004 and \$26,002,000 – 2003)	45,400,391	25,475,000
Common stock (fair value - \$1,465,000 – 2004 and \$918,000 - 2003)	1,827,400	1,827,400
Common stock – The Washington Post Company (fair value - \$45,552,000 – 2004 and \$36,673,000 – 2003)	138,772	138,772
Net assets, unrestricted	\$ 65,333,671	\$ 69,151,635

The accompanying notes are an integral part of these financial statements.

PHILIP L. GRAHAM FUND
STATEMENTS OF REVENUE COLLECTED, EXPENSES DISBURSED
AND CHANGES IN NET ASSETS

	Year Ended December 31,	
	2004	2003
Revenue collected:		
Interest	\$ 1,089,556	\$ 1,091,934
Dividends	685,554	721,648
(Loss) Gain on disposition of investments	(14,844)	166,406
	1,760,266	1,979,988
Expenses disbursed:		
Grants	5,252,000	5,250,000
Federal excise tax	27,714	(22,961)
Administrative expenses	298,516	291,579
	5,578,230	5,518,618
Shortfall of revenue collected over expenses disbursed	(3,817,964)	(3,538,630)
Net assets, unrestricted, at beginning of year	69,151,635	72,690,265
Net assets, unrestricted, at end of year	\$ 65,333,671	\$ 69,151,635

The accompanying notes are an integral part of these financial statements.

PHILIP L. GRAHAM FUND
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2004	2003
Cash flows from operating activities:		
Shortfall of revenues collected over expenses disbursed	\$ (3,817,964)	\$ (3,538,630)
Adjustments to reconcile shortfall of revenues collected over expenses disbursed to net cash used in operating activities:		
Net realized gain on disposition of investments	14,844	(166,406)
Net cash used in operating activities	(3,803,120)	(3,705,036)
Cash flows from investing activities:		
Purchase of investments	(24,940,235)	(4,960,938)
Proceeds from sales and maturities of investments	5,000,000	5,000,000
Net cash (used in) provided by investing activities	(19,940,235)	39,062
Net decrease in cash	(23,743,355)	(3,665,974)
Cash and cash equivalents at beginning of year	41,710,463	45,376,437
Cash and cash equivalents at end of year	\$ 17,967,108	\$ 41,710,463

The accompanying notes are an integral part of these financial statements.

PHILIP L. GRAHAM FUND
NOTES TO FINANCIAL STATEMENTS

1. Description and Administration of the Fund

The Philip L. Graham Fund (the Fund) was established in 1963 and is a private foundation engaged in making grants exclusively for charitable, scientific, literary and educational purposes primarily in the Washington, D.C. metropolitan community. The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state and local taxes in the jurisdictions in which it operates.

The Fund is administered by five trustees who serve without compensation. The trustees are current or former members of the board of directors, officers, or employees of The Washington Post Company. The fund also receives administrative support from employees of The Washington Post Company for which there is no reimbursement.

2. Significant Accounting Policies

Basis of accounting

The accounts of the Fund are maintained on the cash basis of accounting. Accordingly, interest and dividends are recorded when they are collected; gains and losses on disposition of investments are recorded when the transaction is executed; grants to other organizations and other expenses are recorded when they are disbursed; investments are recorded at cost with no adjustment for unrealized appreciation or depreciation; contributed services are not recorded. Recording transactions based upon cash receipts and disbursements is a comprehensive basis of accounting other than generally accepted accounting principles which requires the recording of transactions on an accrual basis of accounting and the carrying of investments at fair value.

Cash and cash equivalents

All highly liquid investments with an original maturity of three months or less at the date of acquisition are considered cash equivalents.

Fair value of investments

The Fund determines the fair market value of its investments in equity and debt securities for disclosure purposes by quoted market prices.

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PHILIP L. GRAHAM FUND
NOTES TO FINANCIAL STATEMENTS

3. Federal Excise Taxes

In 2004 and 2003, the Fund's investment income, reduced by certain allowable expenses, was subject to a 2% and 1% Federal excise tax, respectively. During 2004, the Fund made \$34,500 in estimated tax payments related to the 2004 tax year and received \$6,800 in refunds of 2003 taxes. As of December 31, 2004, the Fund has determined that estimated tax payments made throughout 2004 approximated actual 2004 Federal excises taxes.

4. Commitments

Authorized but undisbursed grants amounted to \$1,975,000 as of December 31, 2004, of which \$1,150,000 is scheduled for disbursement during 2005.

The Fund is required to make minimum annual charitable distributions within certain time periods. The required distribution is a specified percentage of the fair value of investment assets, less the Federal excise tax on investment income. The Fund's distribution requirements for the year ended December 31, 2003 and all prior years have been satisfied. The 2004 distribution requirement is \$5,379,000 of which \$4,187,000 was satisfied as of December 31, 2004. Therefore, the Fund must distribute \$1,192,000 by December 31, 2005 to meet the 2004 distribution requirement.

5. Related Party Transactions

The Fund made contributions totaling approximately \$590,000 in 2004 to charitable organizations for which a member of the Board of the Fund also serves on the Board of the charitable organizations. The Fund has pledged an additional \$600,000 over the next two years to two of these organizations.