



DARDEN RESTAURANTS, INC. FOUNDATION

Financial Statements

May 31, 2006 and 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Independent Auditors' Report

Board of Trustees
Darden Restaurants, Inc. Foundation:

We have audited the accompanying statements of financial position of Darden Restaurants, Inc. Foundation (the Foundation) as of May 31, 2006 and 2005 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Darden Restaurants, Inc. Foundation as of May 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 29, 2006
Certified Public Accountants

DARDEN RESTAURANTS, INC. FOUNDATION

Statements of Financial Position

May 31, 2006 and 2005

Assets	2006	2005
Cash and cash equivalents	\$ 121,152	1,878,847
Contributions receivable	6,000,000	2,000,000
Investments, at fair value (cost – \$2,138,424 in 2006 and \$2,523,266 in 2005)	2,717,317	2,939,396
Total assets	\$ <u>8,838,469</u>	<u>6,818,243</u>
Liabilities and Net Assets		
Liabilities:		
Due to sponsor	\$ —	6,000
Grants payable	1,506,442	909,303
Total liabilities	1,506,442	915,303
Unrestricted net assets	7,332,027	5,902,940
Total liabilities and net assets	\$ <u>8,838,469</u>	<u>6,818,243</u>

See accompanying notes to financial statements.

DARDEN RESTAURANTS, INC. FOUNDATION

Statements of Activities

Years ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Support and revenues:		
Contributions	\$ 6,135,000	2,225,000
Interest income	70,073	69,981
Investment gain, net	247,921	239,208
Total support and revenues, net	<u>6,452,994</u>	<u>2,534,189</u>
Expenses:		
Program grants:		
Social and health	2,400,501	1,738,424
Education	966,670	917,899
Arts and culture	852,245	886,231
Preservation causes	253,000	303,950
Other	595,000	897,500
Total program grants	<u>5,067,416</u>	<u>4,744,004</u>
Administrative expenses	—	—
(Refund of) provision for federal excise taxes, net	(43,509)	6,000
Total expenses, net	<u>5,023,907</u>	<u>4,750,004</u>
Change in net assets	1,429,087	(2,215,815)
Unrestricted net assets, beginning of year	<u>5,902,940</u>	<u>8,118,755</u>
Unrestricted net assets, end of year	<u>\$ 7,332,027</u>	<u>5,902,940</u>

See accompanying notes to financial statements.

DARDEN RESTAURANTS, INC. FOUNDATION

Statements of Cash Flows

Years ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,429,087	(2,215,815)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(247,921)	(239,208)
Changes in assets and liabilities:		
Due to sponsor	(6,000)	6,000
Contributions receivable	(4,000,000)	5,000,000
Grants payable	597,139	(377,889)
Net cash (used in) provided by operating activities	<u>(2,227,695)</u>	<u>2,173,088</u>
Cash flows from investing activities:		
Proceeds from sale of investments	492,000	—
Purchases of investments	(22,000)	(300,000)
Net cash provided by (used in) investing activities	<u>470,000</u>	<u>(300,000)</u>
Net (decrease) increase in cash and cash equivalents	(1,757,695)	1,873,088
Cash and cash equivalents, beginning of year	<u>1,878,847</u>	<u>5,759</u>
Cash and cash equivalents, end of year	<u>\$ 121,152</u>	<u>1,878,847</u>

See accompanying notes to financial statements.

DARDEN RESTAURANTS, INC. FOUNDATION

Notes to Financial Statements

May 31, 2006 and 2005

(1) Summary of Significant Accounting Policies

(a) *Organization and Purpose*

Darden Restaurants, Inc. Foundation (the Foundation) is a private nonprofit corporation. The Foundation was organized to administer charitable funds for the benefit of communities. The Foundation's sponsor is Darden Restaurants, Inc.

The Foundation is a private nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from Federal income taxes on related income pursuant to Section 509(a) of the Code, and is also exempt from state income taxes. The Foundation is subject to a maximum 2% Federal excise tax on net investment income. During fiscal 2006, the Foundation received a \$40,810 tax refund for overpayments of Federal excise taxes made during the year ended May 31, 2001, which is recorded as a component of (Refund of) provision for Federal excise taxes, net, in the accompanying statements of activities. The Code requires the Foundation to make certain minimum distributions in accordance with a specified formula. At May 31, 2006 and 2005, the Foundation was in compliance with those requirements.

(b) *Basis of Presentation*

The Foundation presents its financial statements in three classes of net assets based on the existence or absence of externally (donor) imposed restrictions. These classes of net assets are unrestricted, temporarily restricted, and permanently restricted. The net assets of the Foundation and changes therein have been classified and reported as unrestricted net assets since the net assets are not subject to donor imposed stipulations and are intended to support current period activities of the Foundation.

(c) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(d) *Contributions Received and Contributions Made*

Contributions received and contributions made are recognized as unrestricted support and expense, respectively, when the gift is unconditionally made to the donee. During 2006 and 2005, all contributions received and contributions made by the Foundation were unconditional.

(e) *Investments*

Investments are reported at their estimated fair value. The estimated fair value of investments was determined based on quoted market prices. Realized and unrealized gains and losses are included in investment gain, net, in the accompanying statements of activities.

(f) *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

DARDEN RESTAURANTS, INC. FOUNDATION

Notes to Financial Statements

May 31, 2006 and 2005

(2) Contributions

Contributions receivable of \$6,000,000 and \$2,000,000 at May 31, 2006 and 2005, respectively, represent amounts due from the Foundation's sponsor. Receipt of payment of contributions receivable from the Foundation's sponsor are expected to be received within 12 months of the fiscal year end.

Contribution revenue of \$6,135,000 and \$2,225,000 for the years ended May 31, 2006 and 2005, respectively, represents unconditional gifts made by the Foundation's sponsor.

(3) Investments

The amortized cost and fair value of investments at May 31, 2006 and 2005 are summarized as follows:

	Cost	Fair value	Net unrealized gains (losses)
2006:			
Mutual Fund – Intermediate-Term Treasury	\$ 992,319	902,057	(90,262)
Mutual Fund – Domestic Equity	1,037,916	1,362,579	324,663
Mutual Fund – International Equity	108,189	452,681	344,492
Total	\$ 2,138,424	2,717,317	578,893
2005:			
Mutual Fund – Intermediate-Term Treasury	\$ 972,880	940,086	(32,794)
Mutual Fund – Domestic Equity	1,236,640	1,468,235	231,595
Mutual Fund – International Equity	313,746	531,075	217,329
Total	\$ 2,523,266	2,939,396	416,130

(4) Due to Sponsor

No amounts were due to sponsor at May 31, 2006. Due to sponsor of \$6,000 at May 31, 2005 represented federal excise taxes paid by the sponsor on behalf of the Foundation.

(5) Grants Payable

Grants payable of \$1,506,442 and \$909,303 at May 31, 2006 and 2005, respectively, represent approved grants for future payments to various organizations. Grants payable at May 31, 2006 are scheduled to be paid as follows:

In one year or less	\$ 944,400
Between one year and five years	591,300
	1,535,700
Less unamortized discount at 5.04%	(29,258)
Grants payable, net	\$ 1,506,442

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(6) Administrative Expenses

Substantially all the facilities, personnel and operating costs of the Foundation are provided by Darden Restaurants, Inc. at no charge.

(7) Related Party Transactions

During the year ended May 31, 2006, the Foundation granted and paid \$250,000 to Darden Dimes, Inc., a publicly supported organization exempt from federal income tax under Section 501(c)(3). Darden Dimes, Inc. receives its primary support from employees of Darden Restaurants, Inc., the Foundation's sponsor, and, in turn, provides emergency assistance grants to employees who are faced with a crisis. This grant was made to support Darden Dimes, Inc. as it provided assistance to the many employees of Darden Restaurants, Inc. impacted by Hurricane Katrina. The \$250,000 was included in other program grant expenses for the year ended May 31, 2006.

The Foundation provides numerous grants to various organizations in which the Foundation's Sponsor's officers, employees, and retirees are involved in as noncompensated volunteers of community based boards of trustees of such organizations.