

MESSAGE FOR OUR MEMBERS



2008

ANNUAL REPORT



Independent Auditors' Report

To the Board of Trustees of International Council of Shopping Centers, Inc.

We have audited the accompanying consolidated balance sheet of International Council of Shopping Centers, Inc. ("ICSC"), The International Council of Shopping Centers Foundation (the "Foundation") and the ICSC Political Action Committee (the "PAC") (collectively referred to as the "Council") as of December 31, 2007, and the related consolidated statements of revenue, expenses and changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of CSC for the year ended December 31, 2006 were audited by Goldstein Golub Kessler LLP ("GGK"), independent accountants, certain of whose partners became partners of McGladrey & Pullen, LLP effective October 3, 2007. The prior-year summarized comparative information has been derived from the Council's December 31, 2006 financial statements, GGK's report dated March 28, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council as of December 31, 2007, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 3 and 4 to the consolidated financial statements, during the year ended December 31, 2007, ICSC adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*.

McGladrey & Pullen, LLP

New York, New York
March 25, 2008

Dear Member:

It has been a rewarding and fulfilling experience to serve as ICSC chairman. It has been a remarkable year for me both personally and professionally. A year full of challenges and opportunities, a year that has solidified in my mind that we are a truly global industry and association. Despite uncertainties in the short term about the pace of global economic growth, shopping center development continues to thrive throughout the world.

In some parts of the world, development is moving ahead at breakneck speed. In other regions, particularly in North America, the pace is more sedate. Shopping center development is at its most frantic in Asia, not least in China, India, and the Middle East. In Europe, the pace of development is also rapid. European shopping center GLA has increased by about 50 percent so far during this decade, and there are about 500 developments in the pipeline there, many of them urban renewal projects. Meanwhile, in Latin America, the industry is growing as well. Strongest at the moment are Mexico, Argentina, Brazil and Chile, with a collective pipeline of more than 100 new malls set to open in the next few years.

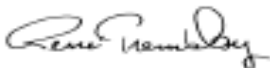
The development story is a little different in the U.S. and Canada. The “build it and they will come” mind-set that is in vogue throughout the developing world no longer applies in North America. Despite what seems at times to be a challenging retail environment in the United States, our industry is in good shape to withstand any economic headwinds. The excesses that have caused the industry problems in past decades, such as overbuilding by developers and overly aggressive retail rollouts, have largely been reined in. The supply of new space is broadly in line with consumer and retailer demand.

Overall, the industry continues to demonstrate its ability to respond to changing conditions, a characteristic that has been its hallmark since its beginning. ICSC contributes to this responsiveness by providing venues throughout the world where members gather to exchange ideas and transact business.

In my travels to many ICSC events throughout the world, I have consistently been impressed by the high regard in which ICSC is held for its programs, services and publications. Although our industry may be global, ICSC's approach to programs and services is tailored to members' local needs. As such, ICSC truly embraces the “think globally, act locally” approach to business. Thus, whether you work in an emerging market that is experiencing a boom in shopping center development or you are in a market that is experiencing a slowdown, ICSC has the programs and services to serve you. There are many contributors to ICSC's success, including our volunteers, who devote so much time to organizing events, writing publications and teaching in our schools. I have spent much time with ICSC President and CEO Michael Kercheval and the ICSC staff, and I have been impressed by their dedication and devotion to our organization.

The shopping center industry and ICSC are inextricably linked in my life, and together they have provided me with a wonderful career filled with personal and professional success. Serving as chairman this past year has been exciting and enjoyable. I must thank my wife Micheline and our children, Eugénie, Geneviève and Maxime, as well as my colleagues at Ivanhoe Cambridge for all their support. But above all, I would like to extend my sincere thanks to the ICSC membership for providing me with the experience and opportunity of a lifetime, one that I will never forget.

With warm regards,



René Tremblay



ICSC Chairman René Tremblay
President and Chief Executive Officer
Ivanhoe Cambridge
Montréal, Québec, Canada

P R E S I D E N T ' S R E P O R T

Dear Member,

Building on 50 years of growth and progress, ICSC is well positioned for the next half century. 2007 marked not only the 50th anniversary milestone for ICSC, it also heralded a new future for an industry embracing its central role in the world community. ICSC's new tagline, "Serving the Global Retail Real Estate Community" reflects the breadth and depth of the shopping center's reach. Markets, open-air centers, malls, power centers, lifestyle centers, mixed-use projects, freestanding retail, High Street retail, transportation retail, etc., all poignantly remind us of the role our industry plays in virtually every village, town and city on the planet. Few industries are as prodigious as ours in creating jobs, revitalizing economically underperforming areas or generating fiscal resources for governments. Last year, just in the United States, one-in-ten, non-farm jobs were in the shopping center industry and more than \$127 billion was generated in state sales tax revenues, on top of revenues from property taxes, fees, licenses and payroll taxes.

Shopping centers have the ability to transform communities and lives. Multiple examples of these powerfully positive influences were recognized in 2007: ICSC's annual Albert Sussman Humanitarian Award was given to Rancho Cucamonga, California's Victoria Garden "Project Playhouse Campaign"; ICSC's all-new Shopping Centers Make A Difference Humanitarian Award in Sub-Saharan Africa Award honored Johannesburg, South Africa's Mall of Rosebank for its "Angels in Blue Christmas Campaign"; and 22 ICSC Community Service MAXI and Community Service Solal Awards proudly recognized members of the shopping center industry around the world for their ability to engage and give back to communities. Going one step further, in October 2007, ICSC members contributed their time and resources to the ICSC Passion Team, organized to work on the massive Post-Katrina New Orleans rebuilding efforts. ICSC was awarded a Corporate Social Responsibility Award from *PR News* for this special outreach.

Throughout the year, countless other ICSC members volunteered their time, and contributed their knowledge and skills as faculty at ICSC's John T. Riordan Schools for Professional Development, the University of Shopping Centers, the ICSC European Retail Property School, the ICSC Executive Learning Series and hundreds of other knowledge-sharing venues organized by ICSC.

ICSC's Silver Anniversary was complimented by new records set in participation at ICSC events, membership levels and the number of programs and services. ICSC hosted 262 programs in 2007 at which 179,492 individuals participated. Total attendance was up 21 percent over 2006. A net increase of 7,287 ICSC members pushed worldwide membership to an all-time high of 72,270 at year-end 2007, the sixth consecutive year of record-setting membership.

A key 2007 event for ICSC was the ICSC Retail Real Estate World Summit held in Cape Town, South Africa. Coinciding with the South African Council of Shopping Centre's annual meeting, the ICSC World Summit drew 1,234 delegates from around the world. This was ICSC's first major global event on the African continent.

The 2007 ICSC Spring Convention, which is now being branded as RECon, drew a record 50,731 participants. ICSC took over all of the roughly 2 million square feet of the Las Vegas Convention Center for the Leasing Mall and Trade Expo.

Operating revenues for the association rose by 12 percent in 2007 to \$75,647,544, consistent with the increases in both membership and program participation. Membership dues have not increased



President and CEO Michael P. Kercheval
International Council of Shopping Centers
New York City



since 2000, and registration fees for most events have remained unchanged for five years.

The increase in revenues enabled ICSC to undertake several important new initiatives, not all of which generate a corresponding revenue stream. New projects included a new professional designation for shopping center designers and builders, the CDP; expanded research initiatives, public relations efforts and government relations programs; launch of the Master Developer Series professional training; creation of ICSC's Green Pavilion and multiple sustainable development initiatives; the ICSC Research Scholar Program; opening an office in Beijing; and major enhancements to the shopping center security training program.

Operating expenses, which were up 15 percent in 2007, reflected the new initiatives as well as significantly higher facility rental costs, food and beverage expenses, and other outlays required for ICSC's programs. Operating expenses for non-revenue generating member services, such as research, public relations and government relations, increased by 37 percent. Total ICSC administrative expenses, which include all salaries, rent and other costs of administering ICSC's programs rose by 7 percent due to higher rental costs, retirement provisions, salaries and employee training programs.

As ICSC looks to the future, and the next few years in particular, the association is well positioned. We have built an efficient operating structure and solid reserves to continue to provide our members and our industry the tools they need to grow and prosper. ICSC will be there, offering more local programs, broadening its training resources, collaborating more closely with colleges and universities, enhancing its research and public policy initiatives, and securing the industry's business-critical, deal-making events.

Though middle-aged at 50, ICSC maintains the youthfulness and exuberance that characterize the global shopping center industry. Both of our chairmen who served during 2007, John Bucksbaum, SCSM (May 2006 – May 2007) and René Tremblay (May 2007 – May 2008), exemplify the creative and worldly spark of ICSC. John held the proud and unique distinction of being ICSC's first second-generation chairman. John's father, Matthew Bucksbaum, chaired ICSC's board in 1992 – 1993. René's linguistic and diplomatic skills distinguished him as ICSC's first French-speaking chairman, a key asset in the rapidly globalizing shopping center industry. An immeasurable debt of gratitude is owed to John Bucksbaum and René Tremblay, and to their families, for their generous gifts of time, knowledge and talent to ICSC in 2007. My staff and I are privileged to work with the likes of John, René and our worldwide Board of Trustees. Day in and day out, my staff and I are inspired by the commitment and talent of this association's tens-of-thousands of members and its leadership. No greater honor could be bestowed upon us than being allowed to help plant the hopes, dreams and inspirations of our industry for the next 50 years at ICSC.

Most respectfully yours,

A handwritten signature in black ink, appearing to read "Michael P. Kercheval".

Michael P. Kercheval

TREASURER'S REPORT

Dear Member,

The International Council of Shopping Centers has long taken pride in disclosing fully its financial condition to its members. We are pleased to continue this tradition this year.


The accompanying statements present the financial position of the Council's funds for the year ended December 31, 2007, with comparative totals for the year ended December 31, 2006. The Reserve Fund and the Restricted Funds are explained in the Notes to Financial Statements. Please take a moment to read them.

The Council utilizes the General Fund as its operating fund, which for the year ended December 31, 2007, reported an excess of revenue over expense of \$4,150,312 on total revenue of \$75,647,544. Total expense for the period was \$71,497,232. Operations for the year continue to reflect the positive membership and meeting participation levels attained during the past few years.

Two committees of our Board of Trustees are in particular charged with responsibilities concerning our financial condition: the Investment and Employee Retirement Committee, which consists of the secretary-treasurer, the president, the immediate past treasurer, two past chairmen, two regular members, who may or may not be trustees, appointed by the chairman with the approval of the board, and the trustees of the pension and savings and investment plans. In addition to myself, the members of the Committee for 2007 – 2008 are Matthew Bucksbaum, Martin Cleary, Charles Lebovitz, Kathleen Nelson, Christopher Niehaus, Peter Sharpe, Robert Ward and Michael Kercheval. The committee sets investment guidelines for the General, Reserve, Pension and the ICSC Foundation funds and meets regularly with ICSC's current investment consultant, Dahab Associates.

The Audit Committee of the Board of Trustees is responsible for overseeing the procedures followed by management in the budgeting and financing of the Council. Management utilizes the guidance of the Council's outside auditors, McGladrey & Pullen, to ensure proper handling of and accurate accounting for all the funds of the Council. This Committee is composed of five trustees appointed by the chairman. The members of the committee for 2007 – 2008 are Kathleen Nelson, chairman, Terry Brown, James Maurin, Gary Rappaport and myself. At the completion of the annual audit, the committee meets with the McGladrey & Pullen partner in charge of the audit both in private and with management and reports its conclusions and recommendations to the Board of Trustees. Contact information for any of the committee members may be obtained by visiting the membership directory at www.ICSC.org.

With warm regards,



Glenn J. Rufrano



Secretary-Treasurer Glenn Rufrano
CEO
Centro Properties Group
Glen Waverley, Victoria, Australia



CONSOLIDATED BALANCE SHEETS

(with summarized comparative financial information as of December 31, 2006)

December 31,

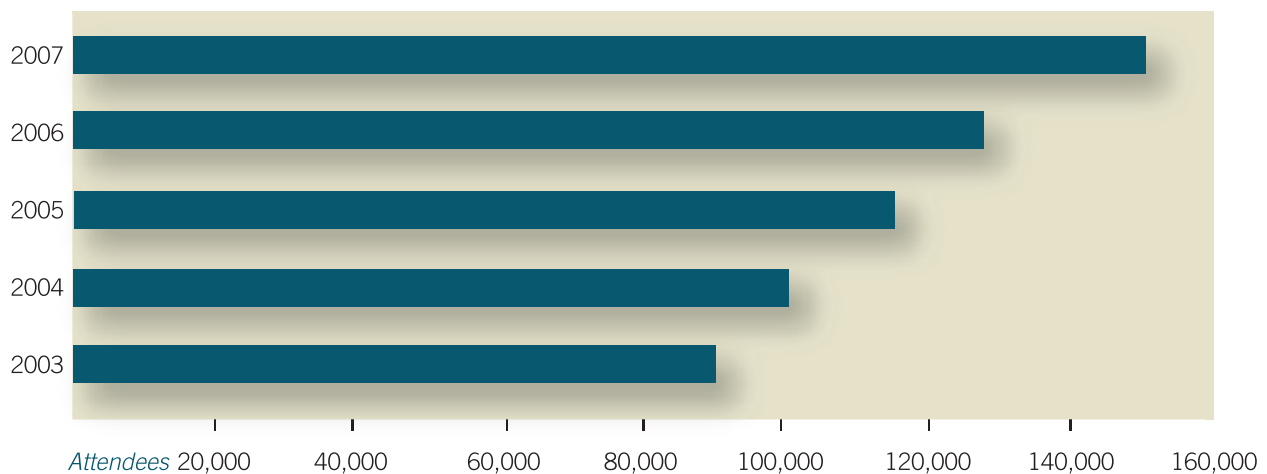
2007

2006

	2007			2006		
	General Fund	Unrestricted Reserve Fund	Subtotal	Temporarily Restricted Funds	Total Funds	Total Funds
ASSETS:						
Cash and cash equivalents	\$ 10,474,500	\$ 1,557,230	\$ 12,031,730	\$ 1,743,892	\$ 13,775,622	\$ 5,495,927
Accounts receivable (less allowance for doubtful accounts of \$178,353 and \$157,719, respectively)	1,101,875		1,101,875	25,523	1,127,398	875,299
Accrued income receivable	137,875	160,230	298,105	4,724	302,829	273,431
Due from (to) other funds	(112,048)		(112,048)	112,048		
Cash surrender value of life insurance	889,476		889,476		889,476	676,657
Deferred costs on future projects	1,768,023		1,768,023		1,768,023	2,388,838
Other assets	2,381,618		2,381,618	548	2,382,166	2,902,914
Investments	13,986,853	52,091,300	66,078,153	363,070	66,441,223	62,824,139
Property and equipment:						
Office furniture and equipment (net of accumulated depreciation of \$5,913,860 and \$5,777,986, respectively)	318,882		318,882		318,882	394,340
Leasehold improvements (net of accumulated amortization of \$2,210,795 and \$1,770,498, respectively)	4,911,054		4,911,054		4,911,054	5,326,057
TOTAL ASSETS	\$35,858,108	\$ 53,808,760	\$89,666,868	\$ 2,249,805	\$ 91,916,673	\$81,157,602
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 9,027,348	\$ 40,831	\$ 9,068,179	\$ 28,650	\$ 9,096,829	\$ 8,888,342
Employee retirement obligations	7,144,235		7,144,235		7,144,235	4,419,346
Advance registrations and subscriptions	9,596,429		9,596,429		9,596,429	8,722,518
Deferred memberships dues	9,259,418		9,259,418		9,259,418	7,980,484
TOTAL LIABILITIES	35,027,430	40,831	35,068,261	28,650	35,096,911	30,010,690
Net assets	830,678	53,767,929	54,598,607	2,221,155	56,819,762	51,146,912
TOTAL LIABILITIES AND NET ASSETS	\$35,858,108	\$ 53,808,760	\$89,666,868	\$ 2,249,805	\$ 91,916,673	\$81,157,602

See notes to consolidated financial statements.

MEMBERSHIP ATTENDANCE



CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(with summarized comparative financial information as of December 31, 2006)

Year ended December 31,

2007

2006

	Unrestricted		Subtotal	Temporarily Restricted Funds	Total Funds	Total Funds
	General Fund	Reserve Fund				
OPERATING REVENUES:						
Membership dues and state issue contributions	\$ 16,037,607	\$	\$16,037,607	\$ 1,086,426	\$17,124,033	\$15,575,499
Spring Convention	14,699,211		14,699,211		14,699,211	13,189,154
Leasing mall/deal-making	10,338,420		10,338,420		10,338,420	8,112,584
Trade shows	2,526,096		2,526,096		2,526,096	1,874,038
Meetings and conferences	18,219,815		18,219,815		18,219,815	15,904,343
Educational programs	1,722,792		1,722,792		1,722,792	1,646,134
Publications	1,553,866		1,553,866	99	1,553,965	1,964,028
Professional recognition programs	424,348		424,348		424,348	314,507
Value Retail News	664,088		664,088		664,088	598,842
Advertising	6,054,036		6,054,036		6,054,036	5,789,833
Education Foundation contributions				952,633	952,633	1,363,061
Political Action Committee contributions				617,729	617,729	510,475
Investment income	792,837	\$ 1,364,028	2,156,865	33,962	2,190,827	2,254,483
Realized gains from security transactions	237,417	478,353	715,770	3,877	719,647	57,749
Gain from life insurance						68,503
Other income	77,175		77,175		77,175	78,207
Net assets released from restrictions	2,299,836		2,299,836	(2,299,836)		
TOTAL OPERATING REVENUES	75,647,544	1,842,381	77,489,925	394,890	77,884,815	69,301,440
OPERATING EXPENSES:						
Spring Convention	2,835,982		2,835,982		2,835,982	2,536,279
Leasing mall/deal-making	7,173,697		7,173,697		7,173,697	4,718,943
Trade shows	1,063,029		1,063,029		1,063,029	908,607
Meetings and conferences	15,134,690		15,134,690		15,134,690	12,806,132
Educational programs	1,752,146		1,752,146		1,752,146	1,673,179
Publications	811,513		811,513		811,513	1,232,413
Professional recognition programs	488,882		488,882		488,882	577,406
Value Retail News	368,901		368,901		368,901	309,452
Advertising	4,021,896		4,021,896		4,021,896	3,476,622
Other Member services	7,036,869		7,036,869		7,036,869	5,122,027
Restricted fund disbursements	2,299,836		2,299,836		2,299,836	2,296,305
Salaries, rent and administrative expenses	28,509,791	272,418	28,782,209		28,782,209	26,977,049
TOTAL OPERATING EXPENSES	71,497,232	272,418	71,769,650		71,769,650	62,634,414
Results of operations	4,150,312	1,569,963	5,720,275	394,890	6,115,165	6,667,026
Change in unrealized appreciation of investments	158,218	3,193,182	3,351,400	6,147	3,357,547	4,155,982
Transfer to the Reserve Fund	(4,881,510)	4,881,510				
Changes in Net Assets before the effect of adoption of FASB Statement No. 158	(572,980)	9,644,655	9,071,675	401,037	9,472,712	10,823,008
Effect of adoption of FASB Statement No. 158	(3,799,862)		(3,799,862)		(3,799,862)	
CHANGES IN NET ASSETS	(4,372,842)	9,644,655	5,271,813	401,037	5,672,850	10,823,008
NET ASSETS, BEGINNING	5,203,520	44,123,274	49,326,794	1,820,118	51,146,912	40,323,904
NET ASSETS, ENDING	\$ 830,678	\$ 53,767,929	\$54,598,607	\$ 2,221,155	\$56,819,762	\$51,146,912

See notes to consolidated financial statements.

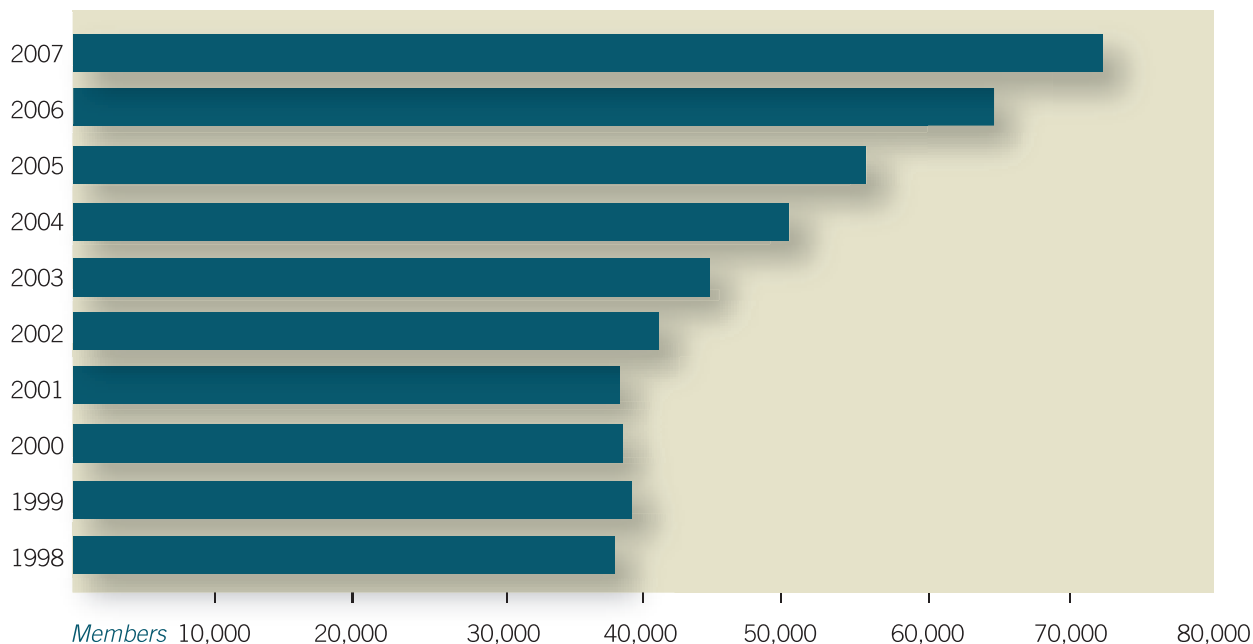
CONSOLIDATED STATEMENTS OF CASH FLOWS



Year ended December 31,	2007	2006
Cash flows from operating activities:		
Changes in net assets	\$ 5,672,850	\$ 10,823,008
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	576,171	555,827
Increase in cash surrender value of life insurance	(212,819)	(301,582)
Net realized and unrealized gain on sale of investments	(4,077,194)	(4,213,731)
Effect of adoption of FASB Statement No. 158	3,799,862	
Changes in operating assets and liabilities:		
Increase in accounts and other receivable	(281,497)	(104,862)
Decrease (increase) in deferred costs on future projects	620,815	(967,035)
(Increase) decrease in other assets	(1,892,590)	281,153
Increase (decrease) in accounts payable and accrued liabilities	208,487	(1,411,368)
Increase in employee retirement obligations	1,338,365	1,249,319
Increase in advance registrations, subscriptions, and deferred membership dues	2,152,845	3,064,043
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,905,295	8,976,772
Cash flows from investing activities:		
Purchase of property and equipment	(85,710)	(979,759)
Proceeds from sale of investments	34,100,383	23,501,890
Purchase of investments	(33,640,273)	(36,503,868)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	374,400	(13,981,737)
Net increase (decrease) in cash and cash equivalents	8,279,695	(5,004,965)
Cash and cash equivalents at beginning of year	5,495,927	10,500,892
Cash and cash equivalents at end of year	\$ 13,775,622	\$ 5,495,927

See notes to consolidated financial statements.

MEMBERSHIP STATISTICS



Notes to Consolidated Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The International Council of Shopping Centers, Inc. ("ICSC") was founded in 1957 and serves as the trade association of the shopping center industry. The consolidated financial statements include the financial position and results of operations of the ICSC, The International Council of Shopping Centers Foundation (the "Foundation") and the ICSC Political Action Committee (the "PAC") (collectively referred to as the "Council"). All significant inter-fund transactions and balances have been eliminated in the consolidation. Services and products offered to its members include various industry-related publications, meetings and conferences, industry-recognized professional status programs, monitoring of government affairs, and education and research programs.

The General Fund represents the general operations of ICSC.

The Reserve Fund represents an accumulation of surpluses from the General Fund which the board has designated to be used for investment purposes, together with expenditures of certain restricted funds, principally the PAC and the Foundation (see below). Included in the Reserve Fund is a board-designated restriction of \$152,946 for the Albert Sussman Award for research grants in the shopping center industry.

Restricted Funds are temporarily restricted and consist of contributions by members and others to finance the monitoring of certain judicial, legislative and regulatory issues at the federal, state and local levels, to fund the PAC and the Foundation. The PAC is a federally registered political action committee established to solicit voluntary, personal contributions from member company executives and to provide financial assistance to candidates for federal elective office. The Foundation is a separately incorporated not-for-profit organization that was formed to provide scholarships, fellowships and research grants for university-based graduate-level education programs in the real estate industry. The Foundation is funded by contributions from the public and from the Reserve Fund.

Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increases those net asset classes. When the specified purpose of donor-restricted contributions is met, the net assets are released from the restriction and transferred to unrestricted net assets. As of December 31, 2007, \$1,089,602 of Restricted Funds was restricted for the Foundation, \$3,274 was restricted for purposes of monitoring certain judicial, legislative and regulatory issues, and \$1,128,279 was restricted for the purposes of the PAC.

Membership dues are recorded as revenue during the applicable membership period. In 2007, ICSC implemented a multi-year membership option extending beyond its traditional one-year membership period, up to three years if opted by the member. Membership dues for the multi-year membership periods are recognized ratably over the applicable membership periods.

Advertising revenue is recorded as revenue when the applicable publications are issued. Revenue from educational programs, conferences, meetings and workshops is recognized upon completion of the activity.

Membership dues received and utilized in the current year are reflected in the consolidated statement of revenue, expenses and changes in net assets in the unrestricted class of net assets.

The Council considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market funds held in banks and financial institutions.



The Council maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Council has not experienced any losses on these accounts.

Investments are stated at fair value based upon quoted market prices, when available, or estimates of fair value as determined by the Council's investment advisors, with the resulting change in unrealized gains and losses included in the consolidated statements of revenue, expenses and changes in net assets. The estimated fair value of the Reserve Fund's investments in a Mutual Fund and a Real Estate Separate Account were provided by the investment managers. The Council reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

The consolidated statements of revenue, expenses and changes in net assets presents investment income, consisting of interest and dividend income. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Accounts receivable are reported at the outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Council estimates doubtful accounts based on historical bad debts, factors related to specific members' ability to pay and current economic trends. The Council writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Property and equipment is recorded at cost and is depreciated on the straight-line method over the estimated useful lives. Useful lives are estimated to be three years for computer equipment and five years on all other property and equipment. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease period.

The Council reviews long-lived assets, such as property and equipment with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss, if any, is recognized for the difference between the fair value and carrying value of the asset.

Costs relating to programs and studies that are not expected to generate income in future years are charged to expense as incurred. Otherwise, costs of activities, programs and studies are deferred and expensed during the calendar year that such activities, programs and studies are conducted. Such future costs are included in deferred costs for future projects in the accompanying balance sheet.

ICSC is a professional organization exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code (the "Code"). However, net income resulting from certain activities not related to ICSC's tax-exempt status is subject to federal and state income taxes.

The Foundation qualifies for exempt status as a public charity under Section 501(c)(3) of the Code and the PAC qualifies for exempt status under Section 527 of the Code.

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The preparation of consolidated 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, 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.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

The charge against unrestricted net assets of \$3,799,862 for 2007 resulted from ICSC's adoption of the Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) ("SFAS 158"), for its pension and postretirement medical plans. SFAS 158 requires recognition of the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in the balance sheet and to recognize changes in that funded status in changes in unrestricted net assets in the year in which the changes occur. SFAS 158 also requires measurement of the funded status of a plan as of the date of the balance sheet.

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS 157, fair value measurements are disclosed by level within that hierarchy. This Statement is effective for fiscal years beginning after November 15, 2007. ICSC is currently assessing the potential effect of SFAS 157 on its financial position, results of operations and cash flows. The adoption of SFAS 157 is not expected to have a material impact on the Council's financial position, results of operations or cash flows.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2007. The cumulative effect of applying the provisions of FIN 48, if any, will be reported as an adjustment to the opening balance of net assets for the fiscal year adoption. The adoption of FIN 48 is not expected to have a material impact on the Council's financial position, results of operations or cash flows.



2. INVESTMENTS

Investments, at market value, consist of the following as of December 31:

	2007	2006
General Fund:		
Government securities	\$ 4,874,860	\$ 7,140,961
Corporate bonds and notes	5,542,956	6,580,372
Guaranteed interest account	98,250	75,000
Mutual funds	155,750	117,000
Equity securities	3,315,037	5,338,971
Total	\$13,986,853	\$ 19,252,304
Reserve Fund:		
Government securities	\$ 6,485,812	\$ 4,460,853
Corporate bonds and notes	4,470,462	3,703,116
Equity securities	20,964,593	18,939,810
Mutual funds	13,133,533	10,598,757
Real estate separate account	7,036,900	5,508,671
Total	\$52,091,300	\$43,211,207
Restricted Funds:		
Government securities	\$ 204,358	\$ 174,076
Equity securities	158,712	186,552
Total	\$ 363,070	\$ 360,628

3. EMPLOYEE BENEFITS

ICSC sponsors a defined benefit pension plan (the "Plan") for eligible employees. ICSC funds the Plan based upon actuarially determined requirements.

The Plan's investments are comprised primarily of cash, fixed income securities and common stock equities.

The following presents the funded status of the Plan at December 31:

Actuarial present value of benefit obligations:	2007	2006
Vested benefit obligations	\$ 7,084,493	\$ 7,038,847
Nonvested benefit obligations	268,563	249,570
Accumulated benefit obligations	\$ 7,353,056	\$ 7,288,417
Plan assets at fair value	\$11,327,090	\$ 7,673,488
Benefit obligation	9,942,286	10,456,076
Funded status	1,384,804	(2,782,588)
Unrecognized net loss		3,819,234
Unrecognized prior service cost		366,926
Net pension prepaid assets (included in other assets)	1,384,804	\$ 1,403,572

Amounts recognized in the consolidated balance sheets for prepaid pension cost totaled \$1,384,804 and \$1,403,572 as of December 31, 2007 and 2006 respectively:

The following presents the net periodic pension cost (credit) for the years ended December 31:

	2007	2006
Service cost	\$ 620,125	\$ 557,733
Interest cost	\$ 607,874	\$ 493,903
Return of Plan assets	(751,208)	(596,492)
Net amortization and deferral	306,639	302,368
Net periodic pension cost	\$ 783,430	\$ 757,512

Weighted-average assumptions used to determine benefit obligations at December 31:

	2007	2006
Discount rate	6.75%	6.00%
Rate of compensation increase	5.00%	5.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	2007	2006
Discount rate	6.00%	5.75%
Expected long-term return on Plan assets	8.50%	8.50%
Rate of compensation increase	5.00%	5.00%

During 2007 and 2006, ICSC contributed \$3,178,000 and \$0 respectively, to the Plan, and \$56,618 and \$54,284 of benefits were paid, respectively.

ICSC's Plan weighted-average asset allocations at December 31, 2007 and 2006 by asset category is as follows:

Asset Category	2007	2006
Equity securities	43%	61%
Debt securities	26%	37%
Cash	30%	
Other	1%	2%
Total	100%	100%

ICSC expects to make no contributions during the 2008 fiscal year.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending December 31,	
2008	\$ 77,678
2009	158,466
2010	208,547
2011	272,585
2012	439,364
2013 - 2017	2,839,615

In addition, ICSC sponsors a 401(k) savings plan for all eligible employees. Amounts charged to expense for ICSC's contribution to the 401(k) savings plan for the years ended December 31, 2007 and 2006 approximated \$367,000 and \$355,000, respectively. ICSC maintains an executive supplemental retirement plan for which the related obligation has been accrued for, approximating \$1,490,000 and \$1,046,000 for 2007 and 2006, respectively, and has been included in employee retirement obligations in the accompanying consolidated balance sheets. Additionally for the year ended December 31, 2007 and 2006, the amount charged to expense for this executive supplemental retirement plan approximated \$443,000 and \$369,000, respectively.

The following table summarizes the incremental effect of the initial adoption of SFAS 158 on the consolidated balanced sheets at December 31, 2007:

Prepaid pension benefits:	
Before application of Statement No. 158	\$ 3,798,142
Adjustment	(2,413,338)
After benefits of Statement No. 158	1,384,804

4. POSTRETIREMENT MEDICAL PLAN

ICSC maintains a medical care plan permitting retirees to continue participation which requires a retiree contribution for the remaining portion of the premium not paid by ICSC based on the number of years of service at retirement. ICSC funds the medical benefit costs as they are incurred.



The following represents the funded status of the postretirement medical plan:

	2007	2006
Accumulated postretirement benefit obligation:		
Retirees	\$ 1,047,304	1,016,850
Fully eligible active plan participants	2,440,022	1,964,854
Other active plan participants	2,167,110	1,929,527
Total accumulated postretirement benefit obligation	5,654,436	4,911,231
Market value of plan assets		
Funded status	(5,654,436)	(4,911,231)
Unrecognized prior service cost		371,719
Unrecognized actuarial loss		1,166,610
Accrued benefit cost (included in employee retirement obligations)	\$ (5,654,436)	\$ (3,372,902)

The components of the net periodic postretirement benefit cost were as follows:

	2007	2006
Service cost	\$ 444,886	\$ 401,322
Interest cost on accumulated postretirement benefit obligation	312,274	266,560
Amortization	204,394	274,049
Net periodic postretirement benefit cost	\$ 961,554	\$ 941,931

The accumulated projected benefit obligation was actuarially determined using an assumed discount rate of 6.00% and 5.75% for 2007 and 2006. The assumed rate of future increases in healthcare in 2007 was 10% and is expected to gradually decline to 5.0% for pre-Medicare and Medicare eligible after 2015.

ICSC contributed and paid as benefits \$66,544 and \$62,014 for the postretirement medical and dental plans for 2007 and 2006, respectively.

Estimated future benefit payments are as follows:

Year ending December 31,	Expected benefit payments
2008	\$ 108,312
2009	146,449
2010	181,317
2011	221,281
2012	262,562
2013 - 2017	1,929,764

The effect of the impact of a 1% change in healthcare trend rates for 2007 is as follows:

	2007	2006
Effect on total of service and interest cost:		
Dollar increase	\$ 171,030	\$ (132,847)
Percentage increase	22.6%	(17.5)%
Effect on postretirement benefit obligation:		
Dollar increase	\$ 1,041,846	\$ (833,681)
Percentage increase	18.4%	(14.7)%



The following table summarizes the incremental effect of the initial adoption of SFAS 158 on the consolidated balance sheet at December 31, 2007:

Accrued benefit cost (included in employee retirement obligations):	
Before application of Statement No. 158	\$ (4,267,912)
Adjustment	(1,386,524)
After application of Statement No. 158	(5,654,436)

5. COMMITMENTS

ICSC is obligated under noncancelable operating leases for office space expiring through October 2019. The leases are subject to escalations for the ICSC's proportionate share of increases in real estate taxes, operating expenses and the consumer price index. Rent expense and related occupancy costs amounted to approximately \$4,573,000 and \$4,329,000 for the years ended December 31, 2007 and 2006, respectively.

The following is a schedule of approximate annual future minimum rental payments required under noncancelable operating leases:

Year ending December 31,	
2008	\$ 3,543,865
2009	3,484,256
2010	3,647,109
2011	3,237,942
2012	3,151,713
Thereafter	22,678,630
	<u>\$ 39,743,515</u>

6. OPERATING EXPENSES

Operating expenses after allocation of salaries, rent and administrative expenses by function are as follows for the years ended December 31:

	2007	2006
Program services:		
Member services	\$ 11,796,078	\$ 9,691,960
Conventions	4,536,279	4,216,332
Leasing mall/deal-making	8,369,568	5,752,336
Trade shows	1,355,224	1,147,325
Meetings and conferences	20,051,248	17,404,675
Educational programs	2,782,504	2,571,725
Publications and cassettes	1,180,520	1,543,919
Professional recognition programs	1,519,241	1,475,952
Value Retail News	1,391,863	1,276,370
Other	2,299,836	2,296,305
Total program services	<u>\$ 55,282,361</u>	<u>\$ 47,376,899</u>
Support services:		
Advertising	7,129,028	6,422,556
General and administrative expenses	9,358,261	8,834,959
Total support services	<u>16,487,289</u>	<u>\$ 15,257,515</u>
Total operating expenses	<u>\$ 71,769,650</u>	<u>\$ 62,634,414</u>