CHEMUNG FINANCIAL CORP
Form 10-Q
August 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period ended **JUNE 30, 2008**

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-13888

CHEMUNG FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

New York	16-1237038
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.

One Chemung Canal Plaza, Elmira, NY	14901
(Address of principal executive offices)	(Zip Code)

(607) 737-3711 or (800) 836-3711

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES: X NO:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Non-accelerated filer	[ ]
Accelerated filer	[X]	Smaller reporting company	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

YES: NO: X

The number of shares of the registrant's common stock, $.01 par value, outstanding on July 31, 2008 was 3,524,156.

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	JUNE 30, 2008	DECEMBER 31, 2007
ASSETS		
Cash and due from financial institutions	$ 36,595,730	$ 29,095,659
Interest-bearing deposits in other financial institutions	231,236	282,676
Total cash and cash equivalents	36,826,966	29,378,335
Securities available for sale, at estimated fair value	202,769,189	165,321,115
Securities held to maturity, estimated fair value of $6,942,323 at June 30, 2008 and $4,575,465 at December 31, 2007	6,710,435	4,479,815
Federal Home Loan Bank and Federal Reserve Bank Stock, at cost	4,864,950	5,901,550
Loans, net of deferred origination fees and costs, and unearned income	572,217,141	539,522,490
Allowance for loan losses	(8,468,357)	(8,452,819)
Loans, net	563,748,784	531,069,671
Loans held for sale	138,710	39,400
Premises and equipment, net	23,493,899	23,220,106
Goodwill	9,137,929	1,516,666
Other intangible assets, net	6,514,682	5,629,776

Other assets	22,735,545	22,317,085
	------------	------------
Total assets	$876,941,089	$788,873,519
	============	============
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	$159,765,332	$145,491,880
Interest-bearing	496,527,376	427,108,049
	------------	------------
Total deposits	656,292,708	572,599,929
	------------	------------
Securities sold under agreements to repurchase	64,700,093	31,212,292
Federal Home Loan Bank term advances	20,000,000	20,000,000
Federal Home Loan Bank overnight advances	38,000,000	62,400,000
Accrued interest payable	1,447,929	1,292,442
Dividends payable	881,039	879,682
Other liabilities	8,227,437	12,374,224
	------------	------------
Total liabilities	789,549,206	700,758,569
	------------	------------
Shareholders' equity:		
Common stock, $.01 par value per share, 10,000,000 shares authorized; 4,300,134 issued at June 30, 2008 and December 31, 2007	43,001	43,001
Additional-paid-in capital	22,841,006	22,801,241

Retained earnings	83,681,478	81,029,531
Treasury stock, at cost (775,978 shares at June 30, 2008; 781,481 shares at December 31, 2007)	(20,016,526)	(20,138,214)
Accumulated other comprehensive income	842,924	4,379,391
	------------	------------
Total shareholders' equity	87,391,883	88,114,950
	------------	------------
Total liabilities and shareholders' equity	$876,941,089	$788,873,519
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See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Six Months Ended		Three Months Ended	
	-------------------		---------------------	
	June 30,		June 30,	
	-----------		-----------	
INTEREST	2008	2007	2008	2007
AND DIVIDEND INCOME				
	------	------	------	------
Loans, including fees	$18,341,845	$17,219,173	$ 9,137,962	$ 8,863,443
Taxable securities	3,660,379	3,503,156	2,001,623	1,725,283
Tax exempt securities	365,454	431,598	194,630	210,246

Federal funds sold	67,367	52,610	30,874	16,870
Interest-bearing deposits	16,037	7,807	12,538	4,274
	-----------	-----------	-----------	-----------
Total interest and dividend income	22,451,082	21,214,344	11,377,627	10,820,116
	-----------	-----------	-----------	-----------
INTEREST EXPENSE				
Deposits	6,320,460	7,003,282	3,049,265	3,500,830
Borrowed funds	712,062	771,982	297,341	446,088
Securities sold under agreements to repurchase	826,031	924,097	473,469	477,321
	-----------	-----------	-----------	-----------
Total interest expense	7,858,553	8,699,361	3,820,075	4,424,239
	-----------	-----------	-----------	-----------
Net interest income	14,592,529	12,514,983	7,557,552	6,395,877
Provision for loan losses	425,000	600,000	225,000	475,000
	-----------	-----------	-----------	-----------
Net interest income after provision for loan losses	14,167,529	11,914,983	7,332,552	5,920,877
	-----------	-----------	-----------	-----------
Other operating income:				
Trust & investment services income	3,495,017	2,737,706	1,712,559	1,548,933
Service charges on deposit accounts	2,436,923	2,179,773	1,299,775	1,200,799

Net gain on securities transactions	589,456	9,680	2,900	9,680
Net gain on sales of loans held for sale	57,551	-	40,355	-
Credit card merchant earnings	748,942	772,479	377,050	392,038
Gain on sale of other real estate	-	656,323	-	192,520
Other	1,744,565	1,705,286	912,439	914,204
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Total other operating income	9,072,454	8,061,247	4,345,078	4,258,174
	-----------	-----------	-----------	-----------
Other operating expenses:				
Salaries and wages	6,482,883	5,988,259	3,302,231	3,030,531
Pension and other employee benefits	1,188,157	951,701	625,038	440,821
Net occupancy expenses	2,021,613	1,624,005	980,539	814,351
Furniture and equipment expenses	1,008,363	1,039,578	514,107	526,502
Data processing expense	2,052,172	1,845,400	1,019,000	950,028
Amortization of intangible assets	673,761	257,771	248,123	158,341
Other	3,263,230	3,238,223	1,644,802	1,648,276
	-----------	-----------	-----------	-----------
Total other operating expenses	16,690,179	14,944,937	8,333,840	7,568,850
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Income before income tax expense	6,549,804	5,031,293	3,343,790	2,610,201
Income tax expense	2,135,971	1,513,504	1,072,287	792,604
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Net income	$ 4,413,833	$ 3,517,789	$ 2,271,503	$ 1,817,597
	===========	===========	===========	===========
Weighted average shares outstanding	3,598,284	3,600,147	3,599,889	3,592,057
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Basic and diluted earnings per share	$1.23	$0.98	$0.63	$0.51
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See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	Common Stock	Additional paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
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Balances at December 31, 2006	$ 43,001	$22,652,405	$77,183,407	$(19,496,106)	$ 1,915,554	$82,298,261
Comprehensive Income:						
Net income	-	-	3,517,789	-	-	3,517,789
Change in unrealized gain on securities AFS, net	-	-	-	-	556,921	556,921
Change in funded status of Employers'	-	-	-	-	34,856	34,856

Accounting for Defined Benefit Pension and Other Benefit Plans, net						

Total comprehensive income						4,109,566
Restricted stock units for directors' deferred compensation plan	-	41,777	-	-	-	41,777
Cash dividends declared ($.48 per share)	-	-	(1,691,470)	-	-	(1,691,470)
Distribution of 7,334 shares of treasury stock for directors' compensation	-	54,265	-	187,017	-	241,282
Distribution of 1,230 shares restricted stock units for directors' deferred compensation plan	-	(27,659)	-	31,476	-	3,817
Purchase of 34,465 shares of treasury stock	-	-	-	(1,074,613)	-	(1,074,613)
	---------	-----------	-----------	-------------	-----------	-----------
Balances at June 30, 2007	$ 43,001	$22,720,788	$79,009,726	$(20,352,226)	$ 2,507,331	$83,928,620
	=========	===========	===========	==============	===========	===========

Balances at December 31, 2007	$ 43,001	$22,801,241	$81,029,531	$(20,138,214)	$ 4,379,391	$88,114,950
Comprehensive Income:						
Net income	-	-	4,413,833	-	-	4,413,833
Change in unrealized gain on securities AFS, net	-	-	-	-	(3,534,921)	(3,534,921)
Change in funded status of Employers' Accounting for Defined Benefit Pension and Other Benefit Plans, net	-	-	-	-	(1,546)	(1,546)

Total comprehensive income						877,366
Restricted stock units for directors' deferred compensation plan	-	51,345	-	-	-	51,345
Cash dividends declared ($.50 per share)	-	-	(1,761,886)	-	-	(1,761,886)
Distribution of 8,227 shares of treasury stock for directors' compensation	-	12,180	-	212,011	-	224,191
Distribution of 1,321 shares of treasury stock for employee compensation	-	958	-	34,042	-	35,000

Distribution of 1,273 shares of treasury stock for directors' deferred compensation plan	-	(30,818)	-	32,817	-	1,999
Sale of 5,000 shares of treasury stock	-	6,100	-	128,900	-	135,000
Purchase of 10,318 shares of treasury stock	-	-	-	(286,082)	-	(286,082)
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Balances at June 30, 2008	$ 43,001	$22,841,006	$83,681,478	$(20,016,526)	$ 842,924	$87,391,883
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See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(UNAUDITED)	Six Months Ended	
		June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:		2008	2007
		-----	-----
Net income		$ 4,413,833	$ 3,517,789
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets		673,761	257,771
Provision for loan losses		425,000	600,000
Depreciation and amortization of fixed assets		1,332,095	1,356,078
Amortization of premiums on securities, net		1,801	27,925

Accretion of deferred gain on sale of credit cards	-	(51,713)
Gains on sales of loans held for sale, net	(57,551)	-
Proceeds from sales of loans held for sale	2,234,831	-
Loans originated and held for sale	(2,276,590)	-
Net loss (gain) on sale of other real estate owned	2,497	(641,248)
Net gain on securities transactions	(589,456)	(9,680)
(Increase) decrease in other assets	(443,780)	339,368
Increase (decrease) in accrued interest payable	155,487	(81,185)
Expense related to restricted stock units for directors' deferred compensation plan	51,345	41,777
Expense related to employee stock compensation	35,000	-
(Decrease) increase in other liabilities	(1,941,786)	215,785
Origination of student loans	(3,444,843)	(3,032,678)
Proceeds from sales of student loans	1,331,829	4,574,721
	-----------	-----------
Net cash provided by operating activities	1,903,473	7,114,710
	-----------	-----------
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of and principal collected on securities available for sale	52,200,455	25,926,230
Proceeds from maturities of and principal collected on securities held to maturity	825,600	1,391,442
Purchases of securities available for sale	(94,826,153)	(10,100,000)
Purchases of securities held to maturity	(3,056,219)	(986,871)
Purchase of Federal Home Loan Bank and Federal Reserve Bank stock	(11,855,900)	(10,662,300)
Redemption of Federal Home Loan Bank and Federal Reserve Bank stock	12,892,500	9,337,500
Purchases of premises and equipment	(1,345,477)	(1,240,195)

Cash paid for purchase of trust business	-	(5,301,983)
Net cash received in branch acquisition	43,542,640	-
Cash paid for purchase of Cascio Financial Strategies	(250,000)	-
Proceeds from sale of other real estate owned	22,823	2,309,508
Net increase in loans	(18,530,162)	(53,891,962)
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Net cash used by investing activities	(20,379,893)	(43,218,631)
	-----------	-----------
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in demand deposits, NOW accounts, savings accounts, and insured money market accounts	19,586,363	(3,788,685)
Net (decrease) increase in time deposits and individual retirement accounts	(837,502)	15,837,668
Net increase in securities sold under agreements to repurchase	33,487,801	610,129
Proceeds from Federal Home Loan Bank overnight advances	38,000,000	35,800,000
Repayments of Federal Home Loan Bank overnight advances	(62,400,000)	(7,900,000)
Purchase of treasury stock	(286,082)	(1,074,613)
Sale of treasury stock	135,000	-
Cash dividends paid	(1,760,529)	(1,697,140)
	-----------	-----------
Net cash provided by financing activities	25,925,051	37,787,359
	-----------	-----------
Net increase in cash and cash equivalents	7,448,631	1,683,438
Cash and cash equivalents, beginning of period	29,378,335	26,590,274
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Cash and cash equivalents, end of period	$36,826,966	$28,273,712
	===========	===========

Supplemental disclosure of cash flow information:

Cash paid during the year for:		
Interest	$ 7,703,066	$ 8,780,546
	===========	===========
Income Taxes	$ 3,320,850	$ 30,972
	===========	===========
Supplemental disclosure of non-cash activity:		
Transfer of loans to other real estate owned	$ 144,520	$ 27,200
	===========	===========

See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Chemung Financial Corporation (the "Corporation"), through its wholly owned subsidiaries, Chemung Canal Trust Company (the "Bank") and CFS Group, Inc., a financial services company, provides a wide range of banking, financing, fiduciary and other financial services to its local market area. The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

The data in the consolidated balance sheet as of December 31, 2007 was derived from the audited consolidated financial statements in the Corporation's 2007 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 13, 2008. That data, along with the other interim financial information presented in the consolidated balance sheets, statements of income, shareholders' equity and comprehensive income, and cash flows should be read in conjunction with the audited consolidated financial statements, including the notes thereto, contained in the 2007 Annual Report on Form 10-K. Amounts in prior periods' consolidated interim financial statements are reclassified whenever necessary to conform to the current period's presentation.

The consolidated financial statements included herein reflect all adjustments which are, in the opinion of management, of a normal recurring nature and necessary to present fairly the Corporation's financial position as of June 30, 2008 and December 31, 2007, and results of operations for the three-month and six-month periods ended June 30, 2008 and 2007, and changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2008 and 2007. The results for the periods presented are not necessarily indicative of results to be expected for the entire fiscal year or any other interim period.

2.

Earnings Per Share

Earnings per share were computed by dividing net income by 3,598,284 and 3,600,147 weighted average shares outstanding for the six-month periods ended June 30, 2008 and 2007, respectively and 3,599,889 and 3,592,057 weighted average shares outstanding for the three-month periods ended June 30,2008 and 2007, respectively. Issuable shares (such as those related to directors' restricted stock units and directors' stock compensation) are considered outstanding and are included in the computation of basic earnings per share as they are earned. There were no dilutive common stock equivalents during the six-month periods ended June 30, 2008 or 2007.

3. Recently Adopted Accounting Standards

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Corporation did not elect the fair value option for any financial assets or financial

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liabilities as of January 1, 2008, the effective date of the standard, therefore there was no impact upon adoption.

4. Fair Value

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The Corporation measures impairment of collateralized loans based on the estimated fair value of the collateral less estimated costs to sell, incorporating assumptions that experienced parties might use in estimating the value of such collateral (Level 2 inputs). The Corporation has no Level 3 inputs.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurement at June 30, 2008 Using	
	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Available for sale securities	$202,769,189	$ 12,157,339	$190,611,850

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	June 30, 2008	Fair Value Measurement at June 30, 2008 Using Significant Other Observable Inputs (Level 2)
Assets:		
Impaired Loans	$2,264,249	$2,264,249

Impaired loans had a carrying amount of $2,568,660, with a valuation allowance of $304,411 at June 30, 2008.

5. Business Combinations

On March 14, 2008, the Bank completed the acquisition of three branches from Manufacturers and Traders Trust Company ("M&T") in the New York counties of Broome and Tioga. This acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"). This acquisition represented an expansion of our presence in both Broome and Tioga counties, an opportunity to add to our client base, and provided an additional funding source to support future growth. In this transaction, the Bank assumed approximately $64.6 million of deposits and acquired $12.6 million in loans. The results of operation of the

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acquired branches are included in the Corporation's consolidated financial statements from the date of acquisition. The identified intangible asset from this acquisition is a core deposit intangible of $1.1 million which is being amortized over 10 years. Goodwill resulting from the acquisition was $7.6 million.

On May 30, 2008, CFS Group, Inc. ("CFS"), the Corporation's financial services subsidiary, completed the acquisition of the client relationships of Cascio Financial Strategies from Joseph M. Cascio Sr. This acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"). Cascio Financial Strategies was founded in 1985, and provided financial planning, investment and tax preparation services to more than 700 clients. This acquisition adds significantly to the client base of CFS, as well as adding tax preparation to the financial services offered by CFS, providing a source of additional fee income to the Corporation. The results of operation of the acquired business are included in the Corporation's consolidated financial statements from the date of acquisition. The identifiable intangible assets from this acquisition are a purchased client relationship intangible and a covenant not to compete totaling $500 thousand, which are being amortized over 5 years.

6. Intangible Assets

The following table presents information relative to the Corporation's core deposit intangible ("CDI") related to the acquisition of deposits from the Resolution Trust Company in 1994:

	At June 30, 2008	At December 31, 2007
Original core deposit intangible	$ 5,965,794	$ 5,965,794

Less: Accumulated amortization	5,601,217	5,402,357
	-----------	-----------
Carrying amount	$ 364,577	$ 563,437
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Amortization expense for the six months ended June 30, 2008 and 2007 related to the CDI was $198,860. As of June 30, 2008, the remaining amortization period for the Corporation's CDI was approximately 0.92 years. The estimated amortization expense is $397,719 for the year ending December 31, 2008, with $165,718 in amortization expense in 2009.

The following table presents information relative to the Corporation's CDI related to the acquisition of three former M&T Bank branch offices on March 14, 2008. The Corporation assumed approximately $64.6 million of deposits and acquired $12.6 million in loans:

	At June 30, 2008

Original core deposit intangible	$ 1,058,667
Less: Accumulated amortization	64,162

Carrying amount	$ 994,505
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Amortization expense for the six months ended June 30, 2008 related to the CDI was $64,162. The remaining amortization period was approximately 9.67 years. The following table represents the estimated amortization expense based on a 10 year accelerated method:

Year	Estimated Expense
-----	------------------
2008	$ 160,404
2009	$ 176,444
2010	$ 157,196

2011	$ 137,948
2012	$ 118,699
2013	$ 99,450
2014	$ 80,202
2015	$ 60,954
2016	$ 41,705
2017	$ 22,457
2018	$ 3,208

Total	$1,058,667
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The following table presents information relative to the Corporation's purchase of the trust business of Partners Trust Financial Group, Inc. on May 3, 2007. At that time, the Corporation acquired $351 million of trust assets under administration at fair value:

	At June 30, 2008	At December 31, 2007
	-------------------	---------------------
Original customer relationship intangible	$ 5,301,983	$ 5,301,983
Less: Accumulated amortization	638,050	235,644
	-----------	-----------
Carrying amount	$ 4,663,933	$ 5,066,339
	============	============

Amortization expense for the six months ended June 30, 2008 related to the customer relationship intangible was $402,406. As of June 30, 2008, the remaining amortization period was approximately 13.19 years. The estimated amortization expense is $579,139 for the year ending December 31, 2008 and $353,466 for the years December 31, 2009 through December 31, 2020, with $245,608 in amortization expense in 2021.

The following table presents information relative to the Corporation's wholly owned subsidiary, CFS Group Inc., aquisition of Cascio Financial Strategies on May 13, 2008:

	At June 30, 2008
Original customer relationship intangible	$ 500,000
Less: Accumulated amortization	8,333
Carrying amount	$ 491,667

Amortization expense for the six months ended June 30, 2008 related to the customer relationship intangible was $8,333. As of June 30, 2008, the remaining amortization period was approximately 4.9 years. The estimated amortization expense is $58,333 for the year ending December 31, 2008 and $100,000 for the years December 31, 2009 through December 31, 2012, with $41,667 in amortization expense in 2013.

7. Comprehensive Income

Comprehensive income or loss of the Corporation represents net income plus other comprehensive income or loss, which consists of the net change in unrealized holding gains or losses on securities available for sale and the change in the funded status of the Corporation's defined benefit pension plan and other benefit plans, net of the related tax effect. Accumulated other comprehensive income or loss represents the net unrealized holding gains or losses on securities available for sale and the funded status of the Corporation's defined benefit pension plan and other benefit plans, as of the consolidated balance sheet dates, net of the related tax effect.

Comprehensive (loss) income for the three and six-m