

CHEMUNG FINANCIAL CORP  
Form 11-K  
June 26, 2009

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 - No Fee Required

For the Fiscal Year Ended: **December 31, 2008**

TRANSITION REPORT PURSUANT TO SECTION 15 (d)  
OF THE  
SECURITIES EXCHANGE ACT OF 1934 - No Fee Required  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-13888

CHEMUNG CANAL TRUST COMPANY PROFIT SHARING, SAVINGS & INVESTMENT PLAN

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(Full title of Plan)

CHEMUNG FINANCIAL CORPORATION

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(Name of issuer of the securities held pursuant to the plan)

One Chemung Canal Plaza, P.O. Box 1522  
Elmira, New York 14902  
(607) 737-3711

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(Address of principal executive offices)

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
ELMIRA, NEW YORK

AUDITED FINANCIAL STATEMENTS  
SUPPLEMENTAL SCHEDULE

AND

REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM  
DECEMBER 31, 2008 AND 2007

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SUPPLEMENTAL SCHEDULE

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Item 4i - Schedule of Assets Held for Investment Purposes

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Pension and Profit Sharing Committee  
Chemung Canal Trust Company  
Profit Sharing, Savings and Investment Plan

We have audited the accompanying statements of net assets available for benefits of the Chemung Canal Trust Company Profit Sharing, Savings and Investment Plan as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the

responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audits included 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental Schedule of Assets Held for Investment Purposes At End of Year - December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2008 financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic 2008 financial statements taken as a whole.

Elmira, New York  
June 18, 2009

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,		
	2008		2007
<u>ASSETS</u>			
Investments, at fair value:			
Chemung Financial Corporation common stock	\$ 3,492,480		\$ 4,578,436
Chemung Canal Trust Company common trust funds:			

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Short-Term Bond Fund		471,579		619,195
Core Bond Fund		1,230,175		1,418,480
Core Growth Fund		1,219,635		1,872,882
Growth and Income Fund		925,904		1,333,160
Mutual funds:				
AIM Small Cap Growth Fund		319,837		482,894
Artisan International Fund		333,982		700,300
Dodge & Cox International Stock Fund		455,814		733,156
Dodge & Cox Stock Fund		2,679,279		4,975,119
Federated Automated Cash Management		666,839		550,272
Federated Prime Obligations Fund		106,756		155,630
Federated Stock Trust Fund		176,375		241,136
Loomis Sayles Bond Fund		710,817		577,183
Nicholas Applegate International Growth Opportunities Fund		725,054		1,404,033
Vanguard Index Trust 500 Fund		638,634		1,026,535
Westport Select Cap Fund		<u>543,417</u>		<u>777,548</u>
TOTAL INVESTMENTS		14,696,577		21,445,959
Cash and cash equivalents		4,419		1,594
Accrued income receivable		165		42,613
Employer contribution receivable		<u>288,486</u>		<u>255,468</u>
NET ASSETS AVAILABLE				
FOR BENEFITS		<u>\$14,989,647</u>		<u>\$21,745,634</u>

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

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year ended December 31,		
	2008		2007
<u>ADDITIONS</u>			
Additions to net assets attributed to:			
Investment income:			
Interest and dividends	\$ 668,125		\$ 1,503,647
Net depreciation in fair value of investments	<u>(7,485,622)</u>		<u>(1,223,866)</u>
	(6,817,497)		279,781
Contributions:			
Employer	288,486		255,468
Participant	1,032,759		992,677
Rollover	<u>263,394</u>		<u>1,127,149</u>
	<u>1,584,639</u>		<u>2,375,294</u>
TOTAL NET ADDITIONS	(5,232,858)		2,655,075
<u>DEDUCTIONS</u>			
Deductions from net assets attributed to:			
Benefits paid to participants	<u>1,523,129</u>		<u>1,628,232</u>
TOTAL DEDUCTIONS	<u>1,523,129</u>		<u>1,628,232</u>
NET (DECREASE) INCREASE	(6,755,987)		1,026,843
Net assets available for benefits			
at beginning of year	<u>21,745,634</u>		<u>20,718,791</u>

NET ASSETS AVAILABLE FOR BENEFITS			
AT END OF YEAR		<u>\$14,989,647</u>	<u>\$21,745,634</u>

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

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

NOTE A: DESCRIPTION OF PLAN

The following description of the Chemung Canal Trust Company Profit Sharing, Savings and Investment Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan which was restated in 1985 to incorporate 401(k) savings and investment provisions. Under the restated plan, investment accounts attributable to employer contributions made for plan years ended before January 1, 1985 were maintained. Withdrawal privileges continue on these assets with certain limitations on frequency and amount. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility

Participants are immediately eligible to make voluntary contributions. A participant is eligible for discretionary employer contributions after attainment of age 21 and completion of one year of eligibility service.

Vesting

Participants are immediately vested in all contributions and earnings thereon.

Contributions

Participants may contribute up to 70% of their current compensation, as defined, for investment in one or all of the available investment alternatives. Contributions are subject to certain Internal Revenue Service limitations in each year.

The Plan sponsor may match a percentage of the voluntary contributions made by an eligible participant up to 6% of the participant's current compensation, as defined. Prior to January 1, 2001, these matching contributions were invested in Chemung Financial Corporation common stock, except for participants age 50 or greater, for which these matching contributions were participant-directed. Subsequent to January 1, 2001, these matching contributions are completely participant-directed. Subsequent to January 1, 2004, employer matching contributions are discretionary

and contributed annually as directed by the Board of Directors.

Additionally, the Plan sponsor may contribute amounts annually at the discretion of the Board of Directors. Prior to July 1, 2002, these discretionary contributions were invested in Chemung Financial Corporation common stock, except for participants age 50 or greater, for which these contributions were participant-directed. Subsequent to July 1, 2002, these contributions are completely participant-directed. The Plan sponsor has the right to discontinue such discretionary contributions at any time.

#### Payment of benefits

Upon termination of service, the participant's account is either maintained in the Plan, transferred to an individual retirement account in the participant's name, directly rolled over into a qualified retirement plan or paid to the participant in a lump sum.

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

##### Investment valuation and income recognition

The Trustee holds the Plan's investments and executes transactions therein. The investments of the Plan are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Following is a description of the valuation methodologies used for assets measured at fair value.

##### Investments traded in active markets

Common stock, preferred stock, fixed income securities, options and futures traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates. Chemung Financial Corporation's common stock is inactively traded on the Over-The-Counter market. A trust investment committee values the common stock based on a review of trading activity for the most recent quarter.

##### Common trust funds

Common trust funds represent investments with designated investment managers within the trust division. Units held in common trusts are valued at the unit value as reported by the investment managers. While the underlying assets are actively traded, the funds are not.

Mutual funds

Mutual funds represent investments with various investment managers. The fair value of these investments are determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds traded on national securities exchanges are valued at the net asset value.

Cash and short-term investments

Cash and short-term investments include cash and short-term interest-bearing investments with initial maturities of three months or less. Such amounts are recorded at cost, plus accrued interest, which approximates their fair value.

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

, Cont'd

Money market funds

Money market mutual funds are valued using the amortized cost or penny rounding method as permitted by Rule 2a-7 under the Investment Company Act of 1940, which approximates their fair value.

Purchases and sales of securities are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on the accrual basis.

Administrative expenses

The Plan sponsor has elected to pay certain administrative expenses of the Plan.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

Payment of benefits

Benefits are recorded when paid.

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

NOTE C: FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS Statement No. 157, "Fair Value Measurements". The standard addresses aspects of the expanding application of fair value accounting. Effective January 1, 2008, the Plan adopted SFAS No. 157 which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets of liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value, as of December 31, 2008.

Assets at Fair Value as of December 31, 2008								
			Level 1		Level 2		Level 3	Total

Mutual funds	\$	\$ -	\$ -	\$ 7,356,804
	7,356,804			
Chemung Canal Trust Company				
common trust funds	-	3,847,293	-	3,847,293
Chemung Financial Corporation				
common stock	=	<u>3,492,480</u>	=	<u>3,492,480</u>
	\$	\$	\$-	\$
	<u>7,356,804</u>	<u>7,339,773</u>		<u>14,696,577</u>

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

NOTE D: INVESTMENTS

The following presents the fair value of investments and the net (depreciation) appreciation in fair value. Investments that represent 5% or more of the Plan's net assets are separately identified:

	December 31, 2008			December 31, 2007		
	Net			Net		
	(depreciation)			(depreciation)		
	appreciation			appreciation		
	in fair value			in fair value		
	during	Fair value		during	Fair value	
	the year	at end of year		the year	at end of year	
Chemung Financial Corporation						
common stock	\$ (1,143,323)	\$ 3,492,480		\$ (891,359)	\$ 4,578,436	
Chemung Canal Trust Company						

common trust funds:							
Short-Term Bond Fund	(27,847)		471,579		41,444		619,195
Core Bond Fund	(29,213)		1,230,175		73,033		1,418,480
Core Growth Fund	(783,567)		1,219,635		217,343		1,872,882
Growth and Income Fund	(393,405)		925,904		131,764		1,333,160
Mutual funds:							
Dodge & Cox Stock Fund	(2,302,852)		2,679,279		(513,375)		4,975,119
Nicholas Applegate Intern'l Stock Fund	(833,343)		725,054		(242,496)		1,404,033
Other	<u>(1,972,072)</u>		<u>3,952,471</u>		<u>(40,220)</u>		<u>5,244,654</u>
	<u>\$ (7,485,622)</u>		<u>\$ 14,696,577</u>		<u>\$ (1,223,866)</u>		<u>\$ 21,445,959</u>

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NOTE E: TAX STATUS

The Internal Revenue Service has determined and informed the Bank by a letter dated March 4, 2002, that the Plan and related trust are designed in accordance with the applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's legal counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS, Cont'd  
DECEMBER 31, 2008 AND 2007

NOTE F: PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants have a fully vested interest in their accounts and their accounts will be paid to them as provided by the plan document.

NOTE G: TRANSACTIONS WITH PARTIES-IN-INTEREST

Chemung Canal Trust Company (the Bank), a wholly owned subsidiary of Chemung Financial Corporation, is the Plan sponsor and acts as trustee for the Plan's assets. In addition, the Plan invests in common trust funds managed by the Bank (representing approximately 26% and 24% of net assets at December 31, 2008 and 2007, respectively) and Chemung Financial Corporation common stock (representing approximately 23% and 21% of net assets at December 31, 2008 and 2007, respectively).

NOTE H: RISKS AND UNCERTAINTIES

The Plan invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the accompanying statements of net assets available for benefits.

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

SUPPLEMENTAL SCHEDULE

CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN  
EIN: 16-0380815  
PLAN #: 002

FORM 5500 - SCHEDULE H - PART IV

ITEM 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AT END OF YEAR - DECEMBER 31, 2008

(a)	(b)	(c)	(e)
		Description of investment	
Party		including maturity date, rate of	
in	Identity of issue, borrower,	interest, collateral, par or	Current
interest	lessor or similar party	maturity value	value
*	Chemung Financial Corporation	171,200 shares of common stock	\$ 3,492,480
*	Chemung Canal Trust Company		
	common trust funds:		
	Short-Term Bond Fund	41,655 units	471,579

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	Core Bond Fund	101,124 units	1,230,175
	Core Growth Fund	99,135 units	1,219,635
	Growth and Income Fund	58,732 units	925,904
	Mutual funds:		
	AIM Small Cap Growth Fund	19,004 units	319,837
	Artisan International Fund	22,325 units	333,982
	Dodge & Cox International Stock Fund	20,813 units	455,814
	Dodge & Cox Stock Fund	36,026 units	2,679,279
	Federated Automated Cash Management	666,839 units	666,839
	Federated Prime Obligations Fund	106,756 units	106,756
	Federated Stock Trust Fund	10,033 units	176,375
	Loomis Sayles Bond Fund	68,414 units	710,817
	Nicholas Applegate International		
	Growth Opportunities Fund	40,779 units	725,054
	Vanguard Index Trust 500 Fund	7,686 units	638,634
	Westport Select Cap Fund	34,613 units	<u>543,417</u>
		TOTAL INVESTMENTS	<u>\$ 14,696,577</u>

Note: Certain cost information in column (d) is not required to be disclosed as investments are participant directed under an individual account plan.