UMH PROPERTIES, INC.
Form 10-Q
August 06, 2009

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 the quarterly period ended June 30, 2009

( )

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

For the transition period from __________ to ___________

Commission File Number 001-12690

UMH PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	22-1890929
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification number)

Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, NJ 07728

(Address of Principal Executive 0ffices) (Zip Code)

Registrant's telephone number, including area code (732) 577-9997

(Former name, former address and former fiscal year, if changed since last report.)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ____ No__X__

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

____

Accelerated filer

___X

__

Non-accelerated filer

____

Smaller reporting company

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

Yes _____

No __X

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The number of shares outstanding of issuer's common stock as of August 3, 2009 was 11,429,108 shares.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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UMH PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2009 AND DECEMBER 31, 2008

	June 30, 2009 (Unaudited)	December 31, 2008
- ASSETS -		
INVESTMENT PROPERTY AND EQUIPMENT		
Land	$ 13,300,614	$ 13,300,614
Site and Land Improvements	89,355,553	88,926,418
Buildings and Improvements	3,996,288	3,990,275
Rental Homes and Accessories	16,729,442	15,814,192
Total Investment Property	123,381,897	122,031,499
Equipment and Vehicles	7,502,050	7,487,571
Total Investment Property and Equipment	130,883,947	129,519,070
Accumulated Depreciation	(54,990,031)	(53,111,822)
Net Investment Property and Equipment	75,893,916	76,407,248
OTHER ASSETS		
Cash and Cash Equivalents	4,810,207	2,783,250
Securities Available for Sale	22,913,621	21,575,072
Inventory of Manufactured Homes	8,077,175	9,459,924
Notes and Other Receivables, net	21,890,052	22,597,670
Unamortized Financing Costs	682,333	670,783
Prepaid Expenses	426,507	479,363
Land Development Costs	4,445,858	3,966,015
Total Other Assets	63,245,753	61,532,077
TOTAL ASSETS	$139,139,669	$137,939,325
- LIABILITIES AND SHAREHOLDERS EQUITY -		
LIABILITIES:		
MORTGAGES PAYABLE	$ 69,050,673	$ 65,952,895
OTHER LIABILITIES		
Accounts Payable	343,811	614,252
Loans Payable	22,184,709	23,611,574
Accrued Liabilities and Deposits	2,722,835	2,507,751

Tenant Security Deposits	564,673	531,153
Total Other Liabilities	25,816,028	27,264,730
Total Liabilities	94,866,701	93,217,625
SHAREHOLDERS EQUITY:		
Common Stock - $.10 par value per share, 20,000,000 shares authorized; 11,338,669 and 11,021,734 shares issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	1,133,867	1,102,173
Excess Stock - $.10 par value per share, 3,000,000 shares authorized; no shares issued or outstanding	-0-	-0-
Additional Paid-In Capital	52,040,260	49,958,681
Accumulated Other Comprehensive Loss	(4,308,842)	(5,671,361)
Accumulated Deficit	(4,592,317)	(667,793)
Total Shareholders Equity	44,272,968	44,721,700
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$139,139,669	$137,939,325

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2009 AND 2008

	THREE MONTHS		SIX MONTHS	
	2009	2008	2009	2008
REVENUES:				
Rental and Related Income	$6,624,530	$6,362,034	$13,181,029	$12,616,604
Sales of Manufactured Homes	1,494,118	2,881,014	2,579,918	4,665,057
Interest and Dividend Income	1,198,074	1,129,477	2,233,336	2,020,906
(Loss) Gain on Securities Transactions, net	(169,480)	55,023	(2,450,065)	(595,537)
Other Income	22,120	31,448	31,009	67,506
Total Revenues	9,169,362	10,458,996	15,575,227	18,774,536
EXPENSES:				
Community Operating Expenses	3,232,626	3,396,383	6,443,312	6,578,559
Cost of Sales of Manufactured Homes	1,426,536	2,419,512	2,428,775	3,904,477
Selling Expenses	292,629	302,732	616,259	711,177
General and Administrative Expenses	817,175	911,541	1,598,813	1,897,428
Interest Expense	1,135,033	886,201	2,230,294	2,386,859
Depreciation Expense	1,021,354	1,017,795	2,052,228	2,032,545
Amortization of Financing Costs	54,970	38,371	103,840	77,815
Total Expenses	7,980,323	8,972,535	15,473,521	17,588,860
Income before (Loss) Gain on Sales of Investment Property and Equipment	1,189,039	1,486,461	101,706	1,185,676
	(10,477)	24,613	(21,980)	20,358

(Loss) Gain on Sales of Investment				
Property and Equipment				
Net Income	$1,178,562	$1,511,074	$79,726	$1,206,034
Net Income per Share -				
Basic	$0.11	$0.14	$0.01	$0.11
Diluted	$0.11	$0.14	$0.01	$0.11
Weighted Average Shares Outstanding -				
Basic	11,219,844	10,855,788	11,138,054	10,811,604
Diluted	11,227,560	10,855,788	11,143,182	10,811,604

-UNAUDITED-

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED

JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$79,726	$1,206,034
Non-Cash Adjustments:		
Depreciation	2,052,228	2,032,545
Amortization of Financing Costs	103,840	77,815
Stock Compensation Expense	14,278	51,834
Increase in Provision for Uncollectible Notes and Other Receivables	177,000	146,700
Loss on Securities Transactions, net	2,450,065	595,537
Loss (Gain) on Sales of Investment Property and Equipment	21,980	(20,358)
Changes in Operating Assets and Liabilities:		
Inventory of Manufactured Homes	1,382,749	1,354,264
Notes and Other Receivables	530,618	(829,520)
Prepaid Expenses	52,856	84,629
Accounts Payable	(270,441)	369,506
Accrued Liabilities and Deposits	215,084	(57,100)
Tenant Security Deposits	33,520	31,734
Net Cash Provided by Operating Activities	6,843,503	5,043,620
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Property and Equipment	(1,789,905)	(2,735,405)
Proceeds from Sales of Assets	229,029	332,858
Additions to Land Development	(479,843)	(1,519,302)
Purchase of Securities Available for Sale	(3,129,902)	(3,961,484)
Settlement of Futures Transactions	-0-	(304,088)
Net Proceeds from Sales of Securities Available for Sale	703,807	210,768
Net Cash Used in Investing Activities	(4,466,814)	(7,976,653)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Mortgages and Loans	4,000,000	13,700,000

Principal Payments of Mortgages and Loans	(2,329,087)	(7,196,625)
Financing Costs on Debt	(115,390)	(202,914)
Proceeds from Issuance of Common Stock, net of amount reinvested	1,542,439	846,726
Dividends Paid, net of amount reinvested	(3,447,694)	(3,971,917)
Net Cash Provided by (Used in) Financing Activities	(349,732)	3,175,270
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,026,957	242,237
CASH & CASH EQUIVALENTS-BEGINNING	2,783,250	2,221,976
CASH & CASH EQUIVALENTS-ENDING	$4,810,207	$2,464,213

-UNAUDITED-

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 (UNAUDITED)

NOTE 1 ORGANIZATION AND ACCOUNTING POLICIES

UMH Properties, Inc. (the Company) owns and operates twenty-eight manufactured home communities containing approximately 6,800 sites. The communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company, through its wholly-owned taxable subsidiary, UMH Sales and Finance, Inc. (S&F), conducts manufactured home sales in its communities. This company was established to enhance the occupancy of the communities. The consolidated financial statements of the Company include S&F and all of its other wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The Company has elected to be taxed as a real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code), and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under Federal and certain state income tax laws at the corporate level on taxable income that it distributes to its shareholders. For special tax provisions applicable to REITs, refer to Sections 856-860 of the Code. The Company is subject to franchise taxes in some of the states in which the Company owns property.

The interim consolidated financial statements furnished herein have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q, and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2008.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as contingent assets and liabilities as of the dates of the consolidated balance sheets and revenue and expenses for the periods then ended. Actual results could differ significantly from these estimates and assumptions.

Employee Stock Options

The Company accounts for its stock option plan under the provisions of SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R requires that compensation cost for all stock awards be calculated and recognized over the service period (generally equal to

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the vesting period). This compensation cost is determined using option pricing models, intended to estimate the fair value of the awards at the grant date.

Compensation cost which has been determined consistent with SFAS No. 123R, amounted to $7,203 and $14,278 for the three and six months ended June 30, 2009, respectively, and $25,917 and $51,834 for the three and six months ended June 30, 2008, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in the following years:

	2009	2008
Dividend yield	9.25%	7.48%
Expected volatility	21.14%	18.66%
Risk-free interest rate	2.62%	3.47%
Expected lives	8	8

The weighted-average fair value of options granted during the six months ended June 30, 2009 and 2008 was $0.27 and $0.65, respectively.

During the six months ended June 30, 2009, the following stock options were granted:

Date of Grant	Number of Employees	Number of Shares	Exercise Price	Expiration Date
1/7/09	1	14,000	$7.12	1/7/17
1/7/09	1	61,000	6.47	1/7/17
3/3/09	1	3,000	5.42	3/3/17
6/22/09	15	60,000	7.57	6/22/17

As of June 30, 2009, there were options outstanding to purchase 664,000 shares and 862,188 shares were available for grant under the Company s 2003 Stock Option Plan. As of June 30, 2008, there were options outstanding to purchase 476,000 shares and 1,050,188 shares were available for grant under the Company s 2003 Stock Option Plan.

Subsequent Events

The Company has evaluated subsequent events through August 5, 2009, and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (Codification), which officially launched July 1, 2009, to become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. Generally, the Codification is not expected to change U.S. GAAP. All other accounting literature excluded from the Codification will be considered nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We will adopt SFAS 168 for our quarter ending September 30, 2009. We are currently evaluating the effect on our financial statement disclosures as all future references to authoritative accounting literature will be references in accordance with the Codification.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. SFAS 165 requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For unrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, SFAS 165 requires an entity to disclose the date through which subsequent events have been evaluated. SFAS 165 is effective for the interim or annual financial periods ending after June 15, 2009. The Company adopted SFAS 165 effective for the quarter ended June 30, 2009. The adoption of this statement did not have a material effect on our financial condition or results of operations.

In April 2009, the FASB issued three FASB Staff Positions (FSPs) that are intended to provide additional application guidance and enhance disclosures about fair value measurements and impairments of securities. FSP No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), clarifies the objective and method of fair value measurement even when there has been a significant decrease in market activity for the asset being measured. FSP No. 115-2 and FSP No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2 and FSP 124-2), establish a new model for measuring other-than-temporary impairments for debt securities, including criteria for when to recognize a write-down through earnings versus other comprehensive income. FSP No. 107-1 and APB 28-1, Interim Disclosures About Fair Value of Financial Instruments, expand the fair value disclosures required for all financial instruments within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments (FSP 107-1 and APB 28-1), to interim periods. All of these FSPs are effective for interim and annual periods ending after June 15, 2009. The Company adopted these FSPs effective for the quarter ended June 30, 2009. The adoption of these FSPs did not have a material effect on

our financial condition or results of operations. However, adoption of FSP 107-1 and APB 28-1 during the quarter ended June 30, 2009 resulted in increased disclosures in our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS 141R) and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51 (SFAS 160). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The provisions of SFAS 141R and SFAS 160 are effective for our fiscal year beginning January 1, 2009. SFAS 141R will be applied to business combinations occurring after the effective date and SFAS 160 will be applied prospectively to all changes in noncontrolling interests, including any that existed at the effective date. The Company adopted SFAS 141R and SFAS 160 effective January 1, 2009. The adoption of these statements did not have a material effect on our financial condition or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires enhanced disclosures about (a) how and why derivative instruments are used, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS 161 effective January 1, 2009. The adoption of this statement did not have a material effect on our financial condition or results of operations.

NOTE 2 NET INCOME PER SHARE AND COMPREHENSIVE INCOME (LOSS)

Basic net income per share is calculated by dividing net income by the weighted average shares outstanding for the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares outstanding plus the weighted average number of net shares that would be issued upon exercise of stock options pursuant to the treasury stock method.

Options in the amount of 7,716 and 5,128 shares for the three and six months ended June 30, 2009, respectively are included in the diluted weighted average shares outstanding. No options were included for the three and six months ended June 30, 2008, since they were antidilutive. As of June 30, 2009 and 2008, options to purchase 600,000 and 476,000 shares, respectively, were antidilutive.

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The following table sets forth the components of the Company s comprehensive income (loss) for the three and six months ended June 30, 2009 and 2008:

	Three Months		Six Months	
	2009	2008	2009	2008
Net Income	$1,178,562	$1,511,074	$79,726	$1,206,034
Change in unrealized loss on securities available for sale	681,134	(2,928,588)	1,362,519	(3,066,277)
Comprehensive Income (Loss)	$1,859,696	($1,417,514)	$1,442,245	($1,860,243)

NOTE 3 SECURITIES AVAILABLE FOR SALE

As of June 30, 2009, the Company had twenty-seven securities that were temporarily impaired. The Company considers many factors in determining whether a security is other than temporarily impaired, including the nature of the security and the cause, severity and duration of the impairment. The following is a summary of temporarily impaired securities at June 30, 2009:

	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Preferred Stock	$2,568,843	$224,718	$877,120	$443,138
Common Stock	1,372,986	624,299	9,013,459	3,727,865
Total				

The following is a summary of the range of the losses:

Number of Individual Securities	Fair Value	Unrealized Loss	Range of Loss
12	$2,445,173	$125,478	Less than or equal to 10%
2	322,240	55,820	Less than or equal to 20%
3*	9,264,999	3,819,426	Less than or equal to 30%
3	1,500,596	790,992	Less than or equal to 40%
2	299,400	228,304	Less than or equal to 50%
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* Includes common stock of Monmouth Real Estate Investment Corporation, a related entity, with a fair value of $9,013,459 and an unrealized loss of $3,727,865.

The Company has determined that these securities are temporarily impaired as of June 30,

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2009. The Company normally holds REIT securities long term and has the ability and intent to hold securities to recovery.

The following table summarizes the Company s (loss) gain on securities transactions, net for the three and six months ended June 30, 2009 and 2008:

	Three Months		Six Months	
	2009	2008	2009	2008
(Loss) gain on sale of securities, net	$-0-	$10,951	($556,751)	$10,951
Gain (loss) on open and settled futures contracts	-0-	346,472	-0-	(304,088)
Impairment losses	(169,480)	(302,400)	(1,893,314)	(302,400)
(Loss) gain on securities transactions, net	($169,480)	$55,023	($2,450,065)	($595,537)

During the three months ended June 30, 2009 and 2008, the Company recognized non-cash impairment losses of $169,480 and $302,400, respectively. During the six months ended June 30, 2009 and 2008, the Company recognized non-cash impairment losses of $1,893,314 and $302,400, respectively. These impairment losses were due to the write-down of the carrying value of securities which were considered other than temporarily impaired. The Company also recognized a loss of $-0- and $556,751, respectively on securities sold.

NOTE 4 DERIVATIVE INSTRUMENTS

The Company invested in futures contracts on ten-year Treasury notes with the objective of reducing the exposure of the debt securities portfolio to market rate fluctuations. In May 2008, we settled our position in these futures contracts and no longer invest in them. The notional amount of these contracts amounted to $9,000,000 at March 31, 2008. Changes in the market value of these derivatives have been recorded in gain (loss) on securities available for sale transactions, net with corresponding amounts recorded in other assets or other liabilities on the balance sheet. During the three and six months ended June 30, 2008, the Company recorded a realized gain (loss) of $346,472 and ($304,088), respectively, on open and settled futures contracts. These gains (losses) are included in loss on securities transactions, net.

The Company had entered into various interest rate swap agreements to effectively convert a portion of its variable rate debt to fixed rate debt. Changes in the fair value of these agreements have been recorded as an increase or deduction from interest expense with corresponding amounts in other assets or other liabilities. The change in the fair value of these agreements for the three and six months ended June 30, 2009 amounted to $95,623 and 172,744, respectively, and has been recorded as a deduction from interest expense. The change in the fair value of these agreements for the three and six months ended June 30, 2008 amounted to $214,199 and ($134,341), respectively, and has been recorded as a deduction from (addition to) interest expense. The fair value of these agreements at June 30, 2009 and December 31, 2008 amounted to liabilities of $218,190 and $390,934, respectively, which have been included in accrued liabilities and deposits.

NOTE 5 LOANS AND MORTGAGES PAYABLE

During the six months ended June 30, 2009, the Company extended its mortgage on Sandy Valley Estates to May 1, 2010. Interest is variable at LIBOR plus 4.5%. Interest at June 30, 2009 was approximately 4.8%.

On May 28, 2009, the Company obtained a $4,000,000 mortgage on Weatherly Estates from Clayton Bank. This mortgage payable is due on May 28, 2014 with interest at prime plus 2%, but not less than 7% nor more than 14%. Proceeds from this mortgage were primarily used to pay down our margin loans.

NOTE 6 SHAREHOLDERS EQUITY

On June 30, 2009, the Company paid $2,017,810, of which $281,301 was reinvested, as a dividend of $.18 per share to shareholders of record as of June 1, 2009. Total dividends paid for the six months ended June 30, 2009 amounted to $4,004,250, of which $556,556 was reinvested. On August 5, 2009, the Company declared a dividend of $.18 per share to be paid on September 15, 2009 to shareholders of record, August 17, 2009.

During the six months ended June 30, 2009, the Company received, including dividends reinvested, a total of $2,098,995 from the Dividend Reinvestment and Stock Purchase Plan. There were 316,935 new shares issued under the Plan.

On June 23, 2009, the board of directors renewed its approval of a Share Repurchase Program (the repurchase program) that authorizes the Company to purchase up to $10,000,000 in the aggregate of the Company's common stock. The Board of Directors initially approved the repurchase program on June 17, 2008. The repurchase program is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The repurchase program does not require the Company to acquire any particular amount of common stock, and the program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. Shares of stock repurchased under the program will be held as treasury shares. As of June 30, 2009, there have been no shares repurchased under this program.

NOTE 7 - FAIR VALUE MEASUREMENTS

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS No. 157), for financial assets and liabilities recognized at fair value on a recurring basis. We measure certain financial assets and liabilities at fair value on a recurring basis, including securities available for sale and interest rate swap agreements. The fair value of these certain financial assets and liabilities was determined using the following inputs at June 30, 2009:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale	$22,913,621	$17,913,621	$5,000,000	$ -0-
Interest rate swaps (1)	(218,190)	-0-	(218,190)	-0-
	$22,695,431	$17,913,621	$4,781,810	$ -0-

(1)

Included in accrued liabilities and deposits.

The Company is also required to disclose certain information about fair values of financial instruments, as defined in FSP 107-1 and APB 28-I Interim Disclosures about Fair Value of Financial Instruments .

Estimates of fair value are made at a specific point in time, based upon, where available, relevant market prices and information about the financial instrument. Such estimates do not include any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Almost all of the Company s securities available for sale have quoted market prices. However, for a portion of the Company's other financial instruments, no quoted market value exists. Therefore, estimates of fair value are necessarily based on a number of significant assumptions (many of which involve events outside the control of management). Such assumptions include assessments of current economic conditions, perceived risks associated with these financial instruments and their counterparties, future expected loss experience and other factors. Giv