

NOTES TO FINANCIAL STATEMENTS

7. INTEREST-BEARING DEPOSITS (Continued)

Interest expense recognized on interest-bearing deposits for the years ended December 31, 2011 and 2010 consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Savings	\$ 132,902	\$ 91,674
Money market	689,157	830,122
Interest-bearing demand accounts	32,155	22,235
Time, \$100,000 or more	286,254	270,701
Other time	8,876	12,814
	<u>\$ 1,149,344</u>	<u>\$ 1,227,546</u>

8. INCOME TAXES

The provision for income taxes for the years ended December 31, 2011 and 2010 consisted of the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2011</u>			
Current	\$ 80,549	\$ 162,046	\$ 242,595
Deferred	422,267	17,754	440,021
Provision for income taxes	<u>\$ 502,816</u>	<u>\$ 179,800</u>	<u>\$ 682,616</u>
	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2010</u>			
Current	\$ -	\$ 245,803	\$ 245,803
Deferred	307,851	(164,610)	143,241
Decrease in valuation allowance	(2,711,967)	(727,751)	(3,439,718)
Benefit from income taxes	<u>\$ (2,404,116)</u>	<u>\$ (646,558)</u>	<u>\$ (3,050,674)</u>

The Bank's reported amount of income tax expense differs from federal statutory rates due principally to California franchise taxes and the decrease in the valuation allowance on its deferred tax assets.

