

FLUSHING FINANCIAL CORP

Form 11-K

June 29, 2007

FLUSHING SAVINGS BANK, FSB

**401(k) SAVINGS PLAN
FINANCIAL STATEMENTS**

**As of December 31, 2006 and 2005 and
for the year ended December 31, 2006
and Supplemental Schedules**

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

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* Other schedules required by 29 CFR 2520.103-9 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA) have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

Plan Administrator and Participants

Flushing Savings Bank, FSB 401(k) Savings

We have audited the accompanying statements of net assets available for plan benefits of the Flushing Savings Bank, FSB 401(k) Savings Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2006. These financial statements and the supplemental schedules referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 control 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 plan benefits of the Plan as of December 31, 2006 and 2005, and the changes in its net assets available for plan benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying index are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania

June 28, 2007

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN**Statements of Net Assets Available for Plan Benefits**

	As of December 31,	
	2006	2005
Assets:		
Investments at Fair Value	\$7,425,486	\$6,828,014
Participant Loans	161,651	184,209
	7,587,137	7,012,223
Receivables:		
Employer Contributions Receivable	---	26,102
Other Receivable	3,960	15,929
Total Receivables	3,960	42,031
Cash	11,584	2,523
Total Assets	7,602,681	7,056,777
Liabilities:		
Other Liabilities	8,892	---
Net Assets Available for Plan Benefits	\$7,593,789	\$7,056,777

The accompanying notes are an integral part of these financial statements

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN**Statements of Changes in Net Assets Available for Plan Benefits**

	For the year ended December 31, 2006
Additions to net assets attributed to:	
Investment income:	
Dividends and interest	\$ 78,337
Contributions:	
Employer cash contributions, net of forfeitures	87,186
Employer non cash contributions (FFIC common stock)	194,340
Participants	511,646
Rollovers	219,007
Total contributions	1,012,179
Net appreciation in fair value of investments	902,264
Total additions	1,992,780
Deductions from net assets attributed to:	
Certain deemed distributions of participant loans	17,376
Administrative expenses	7,768
Benefits paid to participants	1,430,624
Total deductions	1,455,768
Net increase	537,012
Net Assets Available for Plan Benefits December 31, 2005	7,056,777
Net Assets Available for Plan Benefits December 31, 2006	\$7,593,789

The accompanying notes are an integral part of this financial statement

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements

1. Description of Plan:

The following description of Flushing Savings Bank, FSB 401(k) Savings Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions. Flushing Savings Bank, FSB (the Bank) is a wholly-owned subsidiary of Flushing Financial Corporation, a publicly-held corporation whose stock trades on the Nasdaq under the symbol FFIC.

a. General:

The Plan is a tax-deferred savings plan which began on September 1, 1987, and covers all salaried employees of Bank and participating affiliates who have completed one year of service and are twenty-one years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective as of October 1, 2006, the Plan has been amended to add a Defined Contribution Retirement Program (the "DCRP"). Under the DCRP, eligible employees who have met the Plan's age and service eligibility requirements, whether or not they have elected to join the Plan, will have a contribution made to their individual accounts equal to 4% of their base compensation during the Plan year. However, for the Plan year ending December 31, 2006, the contribution was equal to 4% of the eligible employee's base compensation earned in the period beginning October 1, 2006 and ending December 31, 2006. DCRP contributions are segregated from other employee and employer contributions made to the Plan. Participants are not permitted to redirect the Bank's matching contribution that is made to the Flushing Financial Corporation Common Stock Fund. Effective March 30, 2007 the Plan has been amended to allow all funds, including the Bank's matching contributions made to the Flushing Financial Common Stock Fund, to be redirected in one percent increments into the twelve investment accounts.

b. Contributions:

Participant contributions can be no less than 1% nor greater than 25% of their base compensation for each plan year. Participant contributions could not exceed \$15,000 annually for the plan year ended December 31, 2006, adjusted as prescribed under the Internal Revenue Code. The Bank will match 50% of each participant's basic contributions up to a maximum of 3% of the participant's base compensation. Of the 50% match, one half of the match will be invested into the Flushing Financial Corporation Common Stock Fund. The remaining half of the match will be invested into corresponding participant directed investment accounts. Currently, contributions to the Plan are not subject to Federal, State, or Local income taxes until withdrawn from the Plan. Participant forfeitures serve to reduce the contribution due from the Bank. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants who have reached the age of 50 before the end of the Plan year are eligible to make catch-up contributions. DCRP contributions will be invested into the Flushing Financial Corporation Common Stock Fund.

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements, continued

c. Participant accounts:

Each participant's account is credited with the participant's contributions, the Bank's matching and DCRP contributions, and related net earnings thereon. The plan assets are segregated into twelve investment accounts: RSGroup Trust Company Stable Value Fund, PIMCO Total Return Fund, RSGroup Trust Company Conservative Asset Allocation Fund, RSGroup Trust Company Moderate Asset Allocation Fund, RSGroup Trust Company Aggressive Asset Allocation Fund, T. Rowe Price Equity Income Fund, SSgA S&P 500 Index Fund, Alger LargeCap Growth Institutional Portfolio, RSI Retirement Trust International Equity Fund, Alger MidCap Growth Institutional Portfolio, Neuberger Berman Genesis Fund and Flushing Financial Corporation Common Stock Fund. The assets of the Flushing Financial Corporation Common Stock Fund are held by HSBC Bank USA. The other plan assets are held by the RSGroup Trust Company. Effective July 2, 2007, RSGroup Trust Company will hold all of the Plan's assets. Certain assets are not allocated to the above investment accounts. Those unallocated amounts represent contributions pending allocation to the designated investment accounts. In accordance with the provisions of the Plan, net assets are to be valued from time to time, but not less often than monthly, and the increase or decrease in such value since the last valuation date is allocated among the participants' accounts so as to preserve each participant's beneficial interest in the Plan.

d. Vesting:

Participants are immediately 100 percent vested in their salary deferral contributions plus earnings thereon. Vesting of employer contributions on behalf of each participant is based on continuous years of service. A participant is 100 percent vested after six years of credited service. DCRP contributions are 100 percent vested after five years of credited service. Effective March 30, 2007 the Plan has been amended so that all employer contributions are 100 percent vested after five years of credited service.

e. Investment options:

Upon enrollment in the Plan, a participant may direct employee contributions in one percent increments into the twelve investment accounts. Thereafter, a participant may direct investment changes in their accounts daily, including DCRP contributions. However, participants are not permitted to redirect the Bank's matching contribution that is made to the Flushing Financial Corporation Common Stock Fund. Effective March 30, 2007 the Plan has been amended to allow all funds, including the Bank's matching contributions made to the Flushing Financial Common Stock Fund, to be redirected in one percent increments into the twelve investment accounts.

f. Payment of benefits:

Upon termination of service, a participant is entitled to receive a lump sum or, in certain circumstances, quarterly, semi-annual, or annual installments, equal to the value of his or her account to the extent such funds are vested. If a participant's employment with the Company is terminated for any other reason than death, disability or retirement and their account balance does not exceed \$1,000, the Plan will automatically distribute a lump-sum payment to the participant.

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements, continued

g. Voting rights:

With respect to the Flushing Financial Corporation Common Stock Fund, each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account, and is notified by the Trustee prior to the time that such rights are to be exercised. With respect to shares of stock credited to participant accounts as to which the Trustee did not receive timely voting instructions and shares of stock not credited to participant's account, the Trustee shall vote all such shares of stock in the same proportion as were voted shares as to which participants provided timely instructions. For the other stock funds, the shares are voted at the discretion of the Plan Trustee.

h. Loans to participants:

Loans are made available to all participants on a uniform and nondiscriminatory basis. All loans must be adequately collateralized and amortized over a period not to exceed five years unless the loan is to purchase the principal residence of a participant, in which case, the term cannot exceed ten years. Loans must bear a reasonable rate of interest (currently prime rounded to the nearest one quarter of one percent). Loans are limited by the Internal Revenue Code Section 72(p) and may not exceed the lesser of: (i) 50% of the net value of a participant's vested account balance (excluding DCRP contributions and any earnings thereon) or (ii) \$50,000 reduced by the largest outstanding loan balance in the Plan during the preceding 12 months. At December 31, 2006, outstanding loans bore interest rates in the range of 4.0% to 8.5%.

i. Forfeited accounts:

At December 31, 2006, forfeited nonvested accounts totaled \$6,070 which will be used to reduce future employer contributions. In 2006, employer contributions were reduced by \$15,165 from forfeited nonvested accounts.

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies:

a. Basis of presentation:

The accompanying financial statements have been prepared using the accrual method of accounting. Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, common collective trusts that are considered to be fully benefit-responsive investment contracts are required to be presented at fair value in the Statement of Net Assets Available for Plan Benefits, with an adjustment from fair value to the investments contract value within the statement, and in the Statement of Changes in Net Assets Available for Plan Benefits, on a contract value basis. The contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Plan currently invests in five common collective trusts. Based on current accounting principles management has concluded that the common collective trusts the Plan holds should be reported at fair value and no adjustment is needed to report contract value. The five common collective trusts held by the Plan are RSGroup Trust Company Stable Value Fund, RSGroup Trust Company Conservative Asset Allocation Fund, RSGroup Trust Company Moderate Asset Allocation Fund, RSGroup Trust Company Aggressive Asset Allocation Fund and the HSBC Bank Common Collective Trust which is a part of the Flushing Financial Corporation Common Stock Fund.

b. Investment Valuation and Income Recognition:

The Plan's investments are stated at fair value except as noted above, using market quotations where available. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Loans receivable from participants are valued at outstanding balances, which approximate fair value.

The Plan presents interest and dividend income and net appreciation (depreciation) in the fair value of its investments in the statement of changes in net assets available for plan benefits. Net appreciation (depreciation) in the fair value of its funds and common stock consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Interest and dividends consist of interest payments received or accrued on interest bearing securities such as money market securities and dividend payments received or accrued on the ex-dividend date from individual securities such as common and preferred stock. Dividend and interest income on investments held by the funds are reinvested by each fund. Purchases and sales of securities are recorded on a trade date basis.

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements, continued

c. Expenses:

The ordinary administrative expenses of the Plan, including compensation of the Trustee and other administrative expenses of the Trustee, are paid from the Plan unless paid by the Bank at its discretion. For the year ended December 31, 2006 the Bank elected to pay the expenses of the Plan's Trustees.

d. Payment of benefits:

Benefit payments to participants are recorded upon distribution.

e. Estimates:

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements, the changes in net assets available for plan benefits during the period, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Risks and uncertainties:

The Plan currently invests in eleven mutual funds and one equity fund, which contains an HSBC Bank short-term investment fund. These investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities in which these funds may invest, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Statement of Net Assets Available for Plan Benefits and the Statement of Changes in Net Assets Available for Plan Benefits.

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN**Notes to Financial Statements, continued****3. Investments**

The following table presents investments that represent five percent or more of the Plan's net assets.

	As of December 31, 2006	2005
RSGroup Trust Company Stable Value Fund, 19,735.563 and 19,545.685 shares respectively.	700,001	666,469
T. Rowe Price Equity Income Fund, 35,308.464 and 33,751.408 shares, respectively.	1,040,187	872,811
SSgA S&P 500 Index Fund, 66,924.831 and 65,750.449 shares, respectively.	1,558,679	1,351,172
Neuberger Berman Genesis Fund, 16,364.573 and 14,977.337 shares, respectively.	781,081	727,150
Flushing Financial Corporation Common Stock, 156,903 and 171,476 shares, respectively.	2,678,334*	2,669,881*

* Nonparticipant-directed

Continued

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN**Notes to Financial Statements, continued**

During 2006, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$902,264, as follows:

	For the year ended December 31, 2006
Flushing Financial Corporation Common Stock Fund	\$ 415,516
RSGroup Trust Company Conservative Asset Allocation Fund	1,583
RSGroup Trust Company Moderate Asset Allocation Fund	840
RSGroup Trust Company Aggressive Asset Allocation Fund	1,826
RSGroup Trust Company Stable Value Fund	25,717
Alger MidCap Growth Institutional Portfolio	11,433
Alger LargeCap Growth Institutional Portfolio	1,410
Neuberger Berman Genesis Fund	54,181
RSI Retirement Trust International Equity Fund	5,515
T. Rowe Price Equity Income Fund	163,818
SSgA S&P 500 Index Fund	211,045
PIMCO Total Return Fund	9,380
Net appreciation	\$ 902,264

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FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN**Notes to Financial Statements, continued****4. Nonparticipant-Directed Investments**

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	As of December 31, 2006	2005
Flushing Financial Corporation common stock	\$2,678,334	\$2,669,881
HSBC Bank USA Collective Trust Short Term Investment Fund Directed	131,569	138,537
Flushing Financial Corporation Common Stock Fund	\$2,809,903	\$2,808,418

	For the year ended December 31, 2006
Changes in Net Assets:	
Cash contributions	\$ 132,850
Non cash contributions (FFIC common stock)	194,340
Rollovers	168,601
Dividends and interest	70,794
Net appreciation	415,516
Benefits paid to participants	(966,497)
Net transfers to/from participant-directed investments	(14,119)
Net change in net assets	\$ 1,485

5. Plan Termination:

Although it has not expressed any intent to do so, the Bank specifically reserves the right, at any time, to terminate the Plan or to amend, in whole or in part, any or all of the provisions of the Plan, subject to the provisions of ERISA and approval of the Directors. In the event of termination or partial termination of the Plan or upon complete discontinuance of contributions under the Plan, the accounts of each affected participant shall become 100% vested and fully distributable, in accordance with the Internal Revenue Code and all income tax regulations promulgated thereunder.

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FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

Notes to Financial Statements, continued

6. Federal Tax Status:

The Internal Revenue Service ("IRS") has determined and informed the Company by a signed letter dated March 24, 2006 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code. Based on the opinions of the Plan's Trustee and outside legal counsel, amendments to the Plan subsequent to this date did not require the Plan to be resubmitted to the IRS.

7. Related-Party Transactions

Plan investments include shares of mutual funds managed by RSGroup Trust Company, which is also the Trustee of the Plan, and the common stock of Flushing Financial Corporation, the parent company of the Bank. Accordingly, these transactions qualify as party-in-interest transactions.

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

EIN 11-0758150

Schedule H, line 4i Schedule of Assets (Held at End of Year)*As of December 31, 2006*

(a) (b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
* RSGroup Trust	Conservative Asset Allocation	\$ 35,142	\$ 37,239
* RSGroup Trust	Moderate Asset Allocation	26,404	27,341
* RSGroup Trust	Aggressive Asset Allocation	31,073	33,381
* RSGroup Trust	Stable Value	648,572	700,001
* RSI Retirement Trust	International Equity Fund	26,972	32,801
Alger	MidCap Growth	139,534	141,407
Alger	LargeCap Growth	27,442	29,739
Neuberger Berman	Genesis Fund	703,765	781,081
T. Rowe Price	Equity Income	898,291	1,040,187
SSgA	S&P 500 Index	1,286,870	1,558,679
PIMCO	Total Return	238,186	233,727
* Flushing Financial Corp.	Common Stock***	1,474,318	2,678,334
* HSBC Bank USA	Common Collective Trust Short Term Investment Fund Directed***	131,569	131,569
* Participant Loans	Loans to participants****	161,651	161,651
	Total	\$ 5,829,789	\$ 7,587,137

* Party in interest to the Plan.

** Represents the Plan's percentage of each fund's historical cost.

*** Flushing Financial Corporation Common Stock Fund consists of Flushing Financial Corporation Common Stock and HSBC Bank USA Common Collective Trust Short Term Investment Fund Directed.

**** Loans bear a rate of interest of prime rounded to the nearest one quarter of one percent.

Interest rates range from 4.0% to 8.5% for outstanding loans to participants as of December 31, 2006.

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

EIN 11-0758150

Schedule H, line 4j Schedule of Reportable Transactions

For the year ended December 31, 2006

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of loan)	(c) Purchase Price	(d) Selling Price	(e) Lease rental	(f) Expenses incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain
HSBC Bank	Collective Trust Short Term Investment Fund Directed	\$507,167	\$507,167	\$ -	\$ -	\$ -	\$507,167	\$ -

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees for the Plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

Flushing Savings Bank, FSB 401(k) Savings Plan,

Date: June 28, 2007

By:

David W. Fry
Plan Administrator

FLUSHING SAVINGS BANK, FSB 401(k) SAVINGS PLAN

INDEX TO EXHIBITS

Exhibit

23 Consent of Independent Registered Public Accounting Firm

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