

Return of Organization Exempt From Income Tax

2005

Open to Public Inspection

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2005 calendar year, or tax year beginning 7/01, 2005, and ending 6/30, 2006

- B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

Please use IRS label or print or type. See specific instructions.

Threshold Services, Inc. 1398 Lambertson Drive #3 Silver Spring, MD 20902

D Employer Identification Number 52-1231698
E Telephone number 301-754-1102
F Accounting method: Cash, Accrual, Other (specify)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H (a) Is this a group return for affiliates? Yes No
H (b) If 'Yes,' enter number of affiliates
H (c) Are all affiliates included? Yes No
H (d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Group Exemption Number
M Check if the organization is not required to attach Schedule B

G Web site: www.ThresholdServices.org

J Organization type (check only one) 501(c) 3 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 7,574,375.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

Table with columns for Revenue, Expenses, and Net Assets. Rows include contributions, program service revenue, membership dues, interest, dividends, gross rents, other investment income, special events, and total revenue/expenses.

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here... <input type="checkbox"/>	22				
23 Specific assistance to individuals (att sch) St. 2	23	43,734.	43,734.		
24 Benefits paid to or for members (att sch)	24				
25 Compensation of officers, directors, etc.	25	176,094.	65,925.	91,334.	18,835.
26 Other salaries and wages	26	3,040,280.	2,576,197.	445,388.	18,695.
27 Pension plan contributions	27	29,325.	20,680.	7,458.	1,187.
28 Other employee benefits	28	341,939.	297,789.	38,692.	5,458.
29 Payroll taxes	29	238,807.	196,941.	39,107.	2,759.
30 Professional fundraising fees	30				
31 Accounting fees	31				
32 Legal fees	32				
33 Supplies	33	88,621.	45,149.	39,813.	3,659.
34 Telephone	34	121,446.	95,418.	25,155.	873.
35 Postage and shipping	35	13,076.	7,124.	5,499.	453.
36 Occupancy	36	828,413.	788,290.	39,123.	1,000.
37 Equipment rental and maintenance	37	99,696.	63,666.	36,030.	
38 Printing and publications	38	6,343.	6,028.	315.	
39 Travel	39	58,104.	56,570.	1,468.	66.
40 Conferences, conventions, and meetings	40				
41 Interest	41	60,806.	25,291.	35,515.	
42 Depreciation, depletion, etc (attach schedule)	42	176,334.	114,945.	61,122.	267.
43 Other expenses not covered above (itemize):					
a See Statement 3	43a	649,257.	485,437.	156,584.	7,236.
b _____	43b				
c _____	43c				
d _____	43d				
e _____	43e				
f _____	43f				
g _____	43g				
44 Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	44	5,972,275.	4,889,184.	1,022,603.	60,488.

Joint Costs. Check if you are following SOP 98-2.
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____.

Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.		(A) Beginning of year		(B) End of year
A S S E T S	45 Cash – non-interest-bearing	7,070.	45	6,650.
	46 Savings and temporary cash investments	433,291.	46	375,784.
	47a Accounts receivable	47a 486,956.		
	b Less: allowance for doubtful accounts	47b 27,804.	486,434.	47c 459,152.
	48a Pledges receivable	48a		
	b Less: allowance for doubtful accounts	48b	500,000.	48c
	49 Grants receivable			49
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)			50
	51a Other notes & loans receivable (attach sch.) .. See St . 6 .	51a 27,133.		
	b Less: allowance for doubtful accounts	51b	22,770.	51c 27,133.
	52 Inventories for sale or use			52
	53 Prepaid expenses and deferred charges	133,616.	53	114,173.
	54 Investments – securities (attach schedule) .. See St . 7 . <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	571.	54	237,213.
	55a Investments – land, buildings, & equipment: basis.	55a		
	b Less: accumulated depreciation (attach schedule)	55b		55c
56 Investments – other (attach schedule) .. See Stmt . 8 .	233,960.	56	245,999.	
57a Land, buildings, and equipment: basis	57a 4,152,236.			
b Less: accumulated depreciation (attach schedule) .. See Statement 9 .	57b 671,283.	468,830.	57c 3,480,953.	
58 Other assets (describe <input type="checkbox"/> See Statement 10) ..	21,161.	58	15,108.	
59 Total assets (must equal line 74). Add lines 45 through 58	2,307,703.	59	4,962,165.	
L I A B I L I T I E S	60 Accounts payable and accrued expenses	379,130.	60	434,606.
	61 Grants payable		61	
	62 Deferred revenue	16,557.	62	16,557.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule) .. See Statement 11 .	423,230.	64b	1,443,009.
	65 Other liabilities (describe <input type="checkbox"/> See Statement 12) ..	274,053.	65	274,053.
66 Total liabilities. Add lines 60 through 65	1,092,970.	66	2,168,225.	
N E T A S S E T S O R F U N D B A L A N C E S	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	665,045.	67	2,723,830.
	68 Temporarily restricted	534,428.	68	50,569.
	69 Permanently restricted	15,260.	69	19,541.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)	1,214,733.	73	2,793,940.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	2,307,703.	74	4,962,165.

BAA

Form 990 (2005)

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See instructions.)

a	Total revenue, gains, and other support per audited financial statements	a	7,565,472.
b	Amounts included on line a but not on Part I, line 12:		
	1 Net unrealized gains on investments	b1	-8,903.
	2 Donated services and use of facilities	b2	
	3 Recoveries of prior year grants	b3	
	4 Other (specify): _____	b4	
	Add lines b1 through b4	b	-8,903.
c	Subtract line b from line a	c	7,574,375.
d	Amounts included on Part I, line 12, but not on line a :		
	1 Investment expenses not included on Part I, line 6b	d1	
	2 Other (specify): _____	d2	-13,990.
	See Stmt 13		
	Add lines d1 and d2	d	-13,990.
e	Total revenue (Part I, line 12). Add lines c and d	e	7,560,385.

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements	a	5,986,265.
b	Amounts included on line a but not on Part I, line 17:		
	1 Donated services and use of facilities	b1	
	2 Prior year adjustments reported on Part I, line 20	b2	
	3 Losses reported on Part I, line 20	b3	
	4 Other (specify): _____	b4	13,990.
	See Stmt 14		
	Add lines b1 through b4	b	13,990.
c	Subtract line b from line a	c	5,972,275.
d	Amounts included on Part I, line 17, but not on line a :		
	1 Investment expenses not included on Part I, line 6b	d1	
	2 Other (specify): _____	d2	
	Add lines d1 and d2	d	
e	Total expenses (Part I, line 17). Add lines c and d	e	5,972,275.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
See Statement 15		176,094.	33,458.	0.

Part VI Other Information (continued)		Yes	No
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b N/A		
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		N/A
	If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members.		N/A
d	Section 162(e) lobbying and political expenditures.		N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices.		N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e).		N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		N/A
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12.		N/A
b	Gross receipts, included on line 12, for public use of club facilities		N/A
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders		N/A
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		N/A
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX.		X
89a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ 0. ; section 4912 ▶ 0. ; section 4955 ▶ 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction.		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. ▶ 0.		0.
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		0.
90a	List the states with which a copy of this return is filed ▶ <u>MD</u>		
b	Number of employees employed in the pay period that includes March 12, 2005 (See instructions.)	90b	84
91a	The books are in care of ▶ <u>The Corporation</u> Telephone number ▶ <u>301-754-1102</u> Located at ▶ <u>1398 Lambertson Dr, Silver Spring, MD,</u> ZIP + 4 ▶ <u>20902</u>		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	91b	X
	If 'Yes,' enter the name of the foreign country ▶		
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Statements		
c	At any time during the calendar year, did the organization maintain an office outside of the United States?	91c	X
	If 'Yes,' enter the name of the foreign country ▶		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here. N/A ... ▶ <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year. ▶ 92 N/A		

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a Client fees					671,060.
b					
c					
d					
e					
f Medicare/Medicaid payments					3,714,734.
g Fees & contracts from government agencies					1,498,571.
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	34,613.	
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property	531120	-5,406.			
b not debt-financed property					
98 Net rental income or (loss) from pers prop.					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b Miscellaneous			1	29,923.	
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		-5,406.		64,536.	5,884,365.
105 Total (add line 104, columns (B), (D), and (E))					5,943,495.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93a	Used to provide housing, counseling, and vocational training.
93f	Same as above.
93g	Same as above.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions).

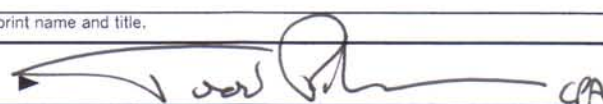
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: _____ Date: _____

Type or print name and title: _____

Paid Preparer's Use Only

Preparer's signature:  Date: 2/12/07

Check if self-employed:

Preparer's SSN or PTIN (See General Instruction W): N/A

Firm's name (or yours if self-employed), address, and ZIP + 4: Saggat & Rosenberg, P.C.
One Church Street, Suite 204
Rockville, MD 20850

EIN: N/A

Phone no.: 301 738-9040

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

**Organization Exempt Under
Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information — (See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

OMB No. 1545-0047

2005

Name of the organization: Threshold Services, Inc. Employer identification number: 52-1231698

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions. List each one. If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
<u>Dr. David Grodsky</u> <u>Chevy Chase, MD</u>	<u>Psychiatrist</u> 40	<u>100,985.</u>	<u>19,187.</u>	<u>0.</u>
<u>Heidi Coons</u> <u>Silver Spring, MD</u>	<u>Dev. Director</u> 40	<u>56,796.</u>	<u>10,791.</u>	<u>0.</u>
<u>Gail Griffith</u> <u>Essex, MD</u>	<u>HR Director</u> 40	<u>59,148.</u>	<u>11,238.</u>	<u>0.</u>
<u>Cari Guthrie Cho</u> <u>Columbia, MD</u>	<u>Clinic Director</u> 40	<u>66,646.</u>	<u>12,663.</u>	<u>0.</u>
<u>Ralph Schneider</u> <u>Baltimore, MD</u>	<u>Prog. Director</u> 40	<u>55,859.</u>	<u>10,613.</u>	<u>0.</u>
Total number of other employees paid over \$50,000..... ▶	<u>4</u>			

Part II – A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions. List each one (whether individuals or firms). If there are none, enter 'None.')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>Harvey Fernbach, MD</u> <u>8600 Split Oak Circle Bethesda, MD 20817</u>	<u>Medical Services</u>	<u>79,850.</u>
<u>Andres Olaciregui, MD</u> <u>11207- A Lockwood Dr. Silver Spring, MD 20902-4550</u>	<u>Medical Services</u>	<u>88,550.</u>
.....		
.....		
.....		
Total number of others receiving over \$50,000 for professional services..... ▶	<u>0</u>	

Part II – B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter 'None.' See instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>N.K Home Improvements</u> <u>4100 Isbell St. Silver Spring, MD 20906</u>	<u>Renovations</u>	<u>56,235.</u>
<u>Wisecastle Networks</u> <u>10114 Mindy Ct. Fredericksburg, VA 22408</u>	<u>IT Services</u>	<u>65,155.</u>
.....		
.....		
.....		
Total number of other contractors receiving over \$50,000 for other services..... ▶	<u>0</u>	

Part III Statements About Activities (See instructions.)

Yes No

Table with 3 columns: Question, Yes, No. Rows include: 1. During the year, has the organization attempted to influence national, state, or local legislation... 2. During the year, has the organization, either directly or indirectly, engaged in any of the following acts... 2a. Sale, exchange, or leasing of property? 2b. Lending of money or other extension of credit? 2c. Furnishing of goods, services, or facilities? 2d. Payment of compensation... 2e. Transfer of any part of its income or assets? 3a. Do you make grants for scholarships... 3b. Do you have a section 403(b) annuity plan... 3c. During the year, did the organization receive a contribution of qualified real property interest... 4a. Did you maintain any separate account for participating donors... 4b. Do you provide credit counseling, debt management, credit repair, or debt negotiation services?

Part IV Reason for Non-Private Foundation Status (See instructions.)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5 [] A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 [] A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
7 [] A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 [] A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
9 [] A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
10 [] An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the Support Schedule in Part IV-A.)
11a [X] An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
11b [] A community trust. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
12 [] An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions... and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income...
13 [] An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). Check the box that describes the type of supporting organization: [] Type 1 [] Type 2 [] Type 3

Provide the following information about the supported organizations. (See instructions.)

Table with 2 columns: (a) Name(s) of supported organization(s), (b) Line number from above. Multiple rows for data entry.

14 [] An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.**

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	96,907.	139,277.	129,505.	122,075.	487,764.
16 Membership fees received					0.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	628,150.	648,173.	576,885.	641,960.	2,495,168.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	4,579.	647.	301.	93.	5,620.
19 Net income from unrelated business activities not included in line 18					0.
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0.
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					0.
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets. See Stmt. 18	19,133.	8,826.	9,218.	453.	37,630.
23 Total of lines 15 through 22	748,769.	796,923.	715,909.	764,581.	3,026,182.
24 Line 23 minus line 17	120,619.	148,750.	139,024.	122,621.	531,014.
25 Enter 1% of line 23	7,488.	7,969.	7,159.	7,646.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24 ▶					26a 10,620.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts ▶					26b 31,260.
c Total support for section 509(a)(1) test: Enter line 24, column (e) ▶					26c 531,014.
d Add: Amounts from column (e) for lines: 18 <u>5,620.</u> 19 <u> </u> 22 <u>37,630.</u> 26b <u>31,260.</u>					26d 74,510.
e Public support (line 26c minus line 26d total) ▶					26e 456,504.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) ▶					26f 85.97 %
27 Organizations described on line 12: N/A					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c _____
d Add: Line 27a total and line 27b total					27d _____
e Public support (line 27c total minus line 27d total) ▶					27e _____
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e) . . . ▶					27f _____
g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) ▶					27g _____ %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) ▶					27h _____ %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See instructions.)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?		
	If 'Yes,' please describe; if 'No,' please explain. (If you need more space, attach a separate statement.) ----- ----- -----		
32	Does the organization maintain the following:		
32a	a Records indicating the racial composition of the student body, faculty, and administrative staff?		
32b	b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
32c	c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
32d	d Copies of all material used by the organization or on its behalf to solicit contributions?		
	If you answered 'No' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----		
33	Does the organization discriminate by race in any way with respect to:		
33a	a Students' rights or privileges?		
33b	b Admissions policies?		
33c	c Employment of faculty or administrative staff?		
33d	d Scholarships or other financial assistance?		
33e	e Educational policies?		
33f	f Use of facilities?		
33g	g Athletic programs?		
33h	h Other extracurricular activities?		
	If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----		
34a	Does the organization receive any financial aid or assistance from a governmental agency?		
34b	b Has the organization's right to such aid ever been revoked or suspended?		
	If you answered 'Yes' to either 34a or b, please explain using an attached statement.		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev Proc 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If 'No,' attach an explanation.		

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions.)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked 'a' and 'limited control' provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term 'expenditures' means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table —		
	If the amount on line 40 is —		
	The lobbying nontaxable amount is —		
	Not over \$500,000	20% of the amount on line 40	
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	41
	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
	Over \$17,000,000	\$1,000,000	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	
Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.			

4 -Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.
 See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots non-taxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See instructions.)

N/A

	During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:		Amount
	Yes	No	
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h .)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (add lines c through h .)			

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Supplementary Information for
line 1 of Form 990, 990-EZ and 990-PF (see instructions)

OMB No. 1545-0047

2005

Name of organization

Threshold Services, Inc.

Employer identification number

52-1231698

Organization type (check one):

Filers of:

Form 990 or 990-EZ

Section:

- 501(c)(3) (enter number) organization
- 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
- 527 political organization

Form 990-PF

- 501(c)(3) exempt private foundation
- 4947(a)(1) nonexempt charitable trust treated as a private foundation
- 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule – see instructions.)

General Rule –

- For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules –

- For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33-1/3% support test under Regulations sections 1.509(a)-3/1.170A-9(e) and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms. (Complete Parts I and II.)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. (Complete Parts I, II, and III.)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc, purposes, but these contributions did not aggregate to more than \$1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc, purpose. Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc, contributions of \$5,000 or more during the year.) ▶ \$ _____

Caution: Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF) but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990, Form 990-EZ, and Form 990-PF.

Schedule **B** (Form 990, 990-EZ, or 990-PF) (2005)

Name of organization: **Threshold Services, Inc.** Employer identification number: **52-1231698**

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than \$1,000 for the year (Complete cols (a) through (e) and the following line entry.)

For organizations completing Part III, enter total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once – see instructions.) \$ **N/A**

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	N/A		

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

Application for Extension of Time to File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box **X**
- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I Automatic 3-Month Extension of Time – Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension – check this box and complete Part I only

All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6-months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile.

Type or print File by the due date for filing your return. See instructions.	Name of Exempt Organization	Employer identification number
	Threshold Services, Inc.	52-1231698
	Number, street, and room or suite number. If a P.O. box, see instructions.	
	1398 Lamberton Drive #3	
	City, town or post office. For a foreign address, see instructions.	state ZIP code
	Silver Spring, MD 20902	

Check type of return to be filed (file a separate application for each return):

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (section 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

• The books are in the care of. ▶ The Corporation -----

Telephone No. ▶ 301-754-1102 ----- FAX No. ▶ -----

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until 2/15, 20 07, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶ calendar year 20__ or
- ▶ tax year beginning 7/01, 20 05, and ending 6/30, 20 06.

2 If this tax year is for less than 12 months, check reason: Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. \$ _____ 0.

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. \$ _____ 0.

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ _____ 0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Statement 1
Form 990, Part I, Line 20
Other Changes in Net Assets or Fund Balances

Unrealized loss on investments..... \$ -8,903.
 Total \$ -8,903.

Statement 2
Form 990, Part II, Line 23
Specific Assistance to Individuals

Client Expenses and recreation..... \$ 43,734.
 Total \$ 43,734.

Statement 3
Form 990, Part II, Line 43
Other Expenses

	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
Bad Debt	3,015.	66.	2,949.	
Charity Care	103,000.	103,000.		
Dues and fees	18,192.	2,228.	15,812.	152.
Food	78,644.	76,917.	1,722.	5.
Insurance	80,303.	64,249.	15,145.	909.
Miscellaneous	49,476.	8,465.	35,331.	5,680.
Professional services	275,599.	219,526.	55,583.	490.
Staff training	41,028.	10,986.	30,042.	
Total	\$ 649,257.	\$ 485,437.	\$ 156,584.	\$ 7,236.

Statement 4
Form 990, Part III
Organization's Primary Exempt Purpose

Help adults with severe mental illness lead fulfilling lives.

Statement 5
Form 990, Part III, Line a
Statement of Program Service Accomplishments

Description	Grants and Allocations	Program Service Expenses
Residential Rehabilitation:		
Supported Housing: Consumers live in Threshold Services apartments, "Second Step" housing, or their own apartments or houses. Staff provide counseling, skill development and other support and assistance on a "drop-in" basis.		

Threshold Services, Inc.

52-1231698

Statement 5 (continued)
Form 990, Part III, Line a
Statement of Program Service Accomplishments

Description	Grants and Allocations	Program Service Expenses
<p>Twenty-Four Hour Group Homes: Threshold Services provides housing and supportive services to eighteen people within two group homes. The staff provided services include counseling, skill development and other assistance on a twenty-four hour basis.</p> <p style="text-align: right;">Includes Foreign Grants: No</p>		2,930,970.
<p>Renaissance: Provides on site psychiatric rehabilitation.</p> <p style="text-align: right;">Includes Foreign Grants: No</p>		346,424.
<p>Outpatient Mental Health Centers: The Outpatient Mental Health Centers in Rockville and Silver Spring, MD provide psychiatric medical treatment and psychotherapy.</p> <p style="text-align: right;">Includes Foreign Grants: No</p>		928,568.
<p>Outreach: Outreach provides off site psychiatric rehabilitation for individuals who are homeless or who live in housing that is not owned or rented by Threshold Services.</p> <p style="text-align: right;">Includes Foreign Grants: No</p>		579,429.
<p>Other Programs:</p> <p>The Community Education program includes advocacy, professional education and public education for mental health related issues.</p> <p>The Supported Employment program helps people choose, get and keep jobs.</p> <p>Compeer of Montgomery County matches volunteers with people recovering from mental illness in friendship relationships.</p> <p style="text-align: right;">Includes Foreign Grants: No</p>		103,793.
	<u>\$ 0.</u>	<u>\$ 4,889,184.</u>

Statement 6
Form 990, Part IV, Line 51
Other Notes and Loans Receivable

Other Notes and Loans	Balance Due	Doubtful Accounts Allowance
Second Step II, Inc.	\$ 8,304.	\$ 0.
Second Step, Inc.	1,361.	0.
Department of HUD	17,468.	0.
Total Other Notes and Loans	<u>\$ 27,133.</u>	<u>\$ 0.</u>
Total Net Receivables		<u>\$ 27,133.</u>

Threshold Services, Inc.

52-1231698

Statement 7
Form 990, Part IV, Line 54
Investments - Securities

<u>Corporate Stocks</u>	<u>Valuation Method</u>	<u>Amount</u>
Stock	Market Value	\$ 659.
	Total	\$ 659.

<u>Other Publicly Traded Securities</u>	<u>Valuation Method</u>	<u>Amount</u>
Merrill Lynch - Mutual Funds	Market Value	236,554.
	Total	\$ 236,554.

Total Investments - Securities \$ 237,213.

Statement 8
Form 990, Part IV, Line 56
Investments - Other

<u>Description of Investment</u>	<u>Valuation Method</u>	<u>Book Value</u>
Helping Hands Group, LLC	Cost	\$ 6,561.
2 Yr CD	Cost	234,794.
Merrill Lynch - Money Market	Cost	4,644.
	Total	\$ 245,999.

Statement 9
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

<u>Category</u>	<u>Basis</u>	<u>Accum. Deprec.</u>	<u>Book Value</u>
Automobiles / Transportation Equipment	\$ 235,444.	\$ 109,035.	\$ 126,409.
Furniture and Fixtures	368,292.	177,703.	190,589.
Buildings	2,935,952.	263,803.	2,672,149.
Improvements	203,622.	120,742.	82,880.
Land	408,926.		408,926.
Total	\$ 4,152,236.	\$ 671,283.	\$ 3,480,953.

Threshold Services, Inc.

52-1231698

Statement 10
Form 990, Part IV, Line 58
Other Assets

Deposits.....	\$	15,108.
	Total	<u>\$ 15,108.</u>

Statement 11
Form 990, Part IV, Line 64b
Mortgages and Other Notes Payable

<u>Mortgages Payable</u>		<u>Balance Due</u>
American Bank		\$ 1,227,485.
	Total Mortgages	\$ <u>1,227,485.</u>

Other Notes Payable

Lender's Name:	Various	
Repayment Terms:	Monthly payments	
Security Provided:	Vehicles, Equipment, AR	
Purpose of Loan:	Purchase autos & fixed assets	
Original Amount:	508,109.	
Balance Due:		\$ 215,524.
	Total Other Notes Payable	\$ <u>215,524.</u>
	Total	<u>\$ 1,443,009.</u>

Statement 12
Form 990, Part IV, Line 65
Other Liabilities

Advances from MD Health Ptrs.....	\$	274,053.
	Total	<u>\$ 274,053.</u>

Statement 13
Form 990, Part IV-A, Line d(2)
Other Amounts

Rental Expenses.....	\$	-13,990.
	Total	<u>\$ -13,990.</u>

Threshold Services, Inc.

52-1231698

Statement 14
Form 990, Part IV-B, Line b(4)
Other Amounts

Rental Expenses..... \$ 13,990.
 Total \$ 13,990.

Statement 15
Form 990, Part V-A
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title and Average Hours Per Week Devoted</u>	<u>Compen- sation</u>	<u>Contri- bution to EBP & DC</u>	<u>Expense Account/ Other</u>
Mr. Garrett Fitzgerald 1700 Kalorama Rd., N.W Ste 202 Washington, DC 20009	Vice Chairman 2	\$ 0.	\$ 0.	\$ 0.
Mr Carlos Davis 2803 Evarts Street, NE Washington, DC 20018	Director 2	0.	0.	0.
Mr. John McCutcheon Jr. 19311 Tattershall Drive Clarkesville, MD 20874	Director 2	0.	0.	0.
Mr. H. Theodore Heintz, Jr 3216 Coquelin Terrace Chevy Chase, MD 20815	Director 2	0.	0.	0.
Mr. James Plack 12211 Plum Orchard Dr. Ste 300 Silver Spring, MD 20904	Director 2	0.	0.	0.
Dr. Henry B. Heller 15100 Interlachen Drive #806 Silver Spring, MD 20906	Treasurer 2	0.	0.	0.
Ms. Carol G. Cook 3812 irongate Lane Bowie, MD 20715	Director 2	0.	0.	0.
Dr. Frank E. Kearly 7399 Hopkins Way Clarkesville, MD 21029	Chairman 2	0.	0.	0.
Fern Garofalo 1398 Lamberton Drive Silver Spring, MD 20902	CFO 40	81,916.	15,564.	0.
Mr. Gino Parisi 14211 Georgia Ave., Apt. # 104 Silver Spring, MD 20906	Director 2	0.	0.	0.

Threshold Services, Inc.

52-1231698

Statement 15 (continued)
Form 990, Part V-A
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title and Average Hours Per Week Devoted</u>	<u>Compen- sation</u>	<u>Contri- bution to EBP & DC</u>	<u>Expense Account/ Other</u>
Pastor Donell Peterman 111 Geneva Avenue Silver Spring, MD 20910	Director 2	\$ 0.	\$ 0.	\$ 0.
Mr. Craig S. Knoll 1398 Lamberton Drive Silver Spring, MD 20902	CEO 40	94,178.	17,894.	0.
Ms. Barbara A. Miller 13001 Crookston Lane # 14 Rockville, MD 20851	Director 2	0.	0.	0.
Mr. Tony Salah 11921 Rockville Pike, Ste. 201 Rockville, MD 20852	Secretary 2	0.	0.	0.
Ms. Sandra E. Kennedy 13904 Lynhurst Drive Dale City, VA 22193	Director 2	0.	0.	0.
	Total	\$ 176,094.	\$ 33,458.	\$ 0.

Statement 16
Form 990, Part VI, Line 80b
Related Organizations

<u>Name of Organization</u>	<u>Exempt</u>	<u>Nonexempt</u>
Second Step II, Inc.	X	
Second Step, Inc.	X	

Statement 17
Schedule A, Part III, Line 2
Transactions with Trustees, Directors, Etc.

One of the board member's of the organization is also the president of a local lending institution. The organization has financed property and equipment through this lending institution. The loans are collateralized and bear interest at slightly below market rates.

Threshold Services, Inc.

52-1231698

Statement 18
Schedule A, Part IV-A, Line 22
Other Income

Description	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
Miscellaneous	\$ 19,133.	\$ 8,826.	\$ 9,218.	\$ 453.	\$ 37,630.
Total	<u>\$ 19,133.</u>	<u>\$ 8,826.</u>	<u>\$ 9,218.</u>	<u>\$ 453.</u>	<u>\$ 37,630.</u>

Threshold Services, Inc.
EIN # 52-1231698
For the Year Ended June 30, 2006

Statement # 19

Form 990, Part II, Line 42 - Depreciation

Form 990, Part IV, Line 57 - Land, Buildings and Equipment

Description	Balance @ 06/30/05	Additions	Dispositions	Balance @ 06/30/06
<u>Assets</u>				
Land	29,226	379,700		408,926
Furn., Fixt. & Equip.	331,193	66,287	(29,188)	368,292
Buildings	317,415	2,618,537		2,935,952
Leasehold Improvements	132,840	70,782		203,622
Vehicles	182,852	56,761	(4,169)	235,444
Total Fixed Assets	<u>993,526</u>	<u>3,192,067</u>	<u>(33,357)</u>	<u>4,152,236</u>
<u>Accumulated Depreciation</u>				
Accum Depr. - FFE	126,703	80,187	(29,188)	177,702
Accum Depr. - Buildings	217,567	46,235		263,802
Accum Depr. - Leasehold	112,230	8,513		120,743
Accum Depr. - Vehicle	68,196	45,009	(4,169)	109,036
Total Accum. Depr.	<u>524,696</u>	<u>179,944</u>	<u>(33,357)</u>	<u>671,283</u>
Net Fixed Assets	<u>468,830</u>			<u>3,480,953</u>

Note 1: Fixed assets are recorded at their cost and are depreciated using the straight line half year convention method over their useful lives. Furniture, Fixture, Equipment and Vehicles are estimated to have useful lives ranging from 3 to 10 years. Buildings and improvements have useful lives ranging from 7 to 39 years. Improvements are amortized over the lesser of the remaining life of the lease or the estimated useful life of the improvements. Expenditures for major repairs and maintenance costs are capitalized while minor costs or items with a useful life of less than a year are expensed when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is included in the Statement of Activities.