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PCS EDVENTURES COM INC
Form 10QSB
August 20, 2003

United States Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 333-53458

PCS EDVENTURES!.COM, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

IDAHO

(State or Other Jurisdiction of
incorporation or organization)

82-0475383

(I.R.S. Employer I.D. No.)

345 Bobwhite Court, Suite #200
Boise, Idaho 83706

(Address of Principal Executive Offices)

Issuer's Telephone Number: (208) 343-3110

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

Check whether the Registrant filed all documents and reports required to be
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of
securities under a plan confirmed by a court.

Yes No
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes
of common stock, as of the latest practicable date:

18,080,646

June 30, 2003

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Transitional Small Business Disclosure Format (Check One): Yes No
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of the Registrant required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003 and March 31, 2003

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

Consolidated Balance Sheets

ASSETS

| | June 30, 2003 (Unaudited) | March 31, 2003 |
|---------------------------|---------------------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 30,041 | \$ 11,449 |
| Accounts receivable | 380,500 | 345,333 |
| Inventory | 2,835 | 2,073 |
| Deferred costs | 3,762 | 103,662 |
| Debt extension costs, net | 161 | 5,460 |
| | ----- | ----- |
| Total Current Assets | 417,299 | 467,977 |
| | ----- | ----- |
| FIXED ASSETS (NET) | 11,039 | 25,447 |
| | ----- | ----- |
| OTHER ASSETS | | |
| Deposits | 425 | 425 |
| | ----- | ----- |
| Total Other Assets | 425 | 425 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 428,763 | \$ 493,849 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

| | June 30, 2003 (Unaudited) | March 31, 2003 |
|--|---------------------------------|-------------------|
| CURRENT LIABILITIES | | |
| Bank overdraft | \$ - | \$ 8,053 |
| Accounts payable | 150,040 | 109,742 |
| Wages payable | 37,520 | 30,603 |
| Payroll taxes payable | 247,522 | 233,331 |
| Accrued interest | 35,210 | 55,035 |
| Accrued expenses | 137,751 | 170,328 |
| Unearned revenue | 374,389 | 382,489 |
| Notes payable - related parties | 165,882 | 165,882 |
| Notes payable | 663,626 | 762,859 |
| | ----- | ----- |
| Total Current Liabilities | 1,811,940 | 1,918,322 |
| | ----- | ----- |
| Total Liabilities | 1,811,940 | 1,918,322 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Common stock, no par value, authorized 50,000,000 shares; 18,080,646 and 17,832,301 shares issued and outstanding, respectively | 22,157,503 | 22,105,987 |
| Accumulated deficit | (23,540,680) | (23,530,460) |
| | ----- | ----- |
| Total Stockholders' Equity (Deficit) | (1,383,177) | (1,424,473) |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$ 428,763 | \$ 493,849 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

| | For the Three Months Ended June 30, | |
|----------------------|--|--------------|
| | 2003 | 2002 |
| REVENUE | | |
| Lab Revenue | \$ 449,126 | \$ 1,030,031 |
| License Revenue | 38,478 | 28,811 |
| Subscription Revenue | 3,750 | 3,794 |

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| | | |
|--|-------------|------------|
| Total Revenues | 491,354 | 1,062,636 |
| COST OF GOODS SOLD | 185,266 | 361,149 |
| GROSS PROFIT | 306,088 | 701,487 |
| OPERATING EXPENSES | | |
| Salaries and wages | 127,641 | 144,619 |
| Depreciation expense | 14,408 | 20,708 |
| General and administrative | 148,979 | 226,693 |
| Total Operating Expenses | 291,028 | 392,020 |
| OPERATING INCOME (LOSS) | 15,060 | 309,467 |
| OTHER INCOME AND EXPENSES | | |
| Interest expense | (25,280) | (79,719) |
| Total Other Income and Expenses | (25,280) | (79,719) |
| NET (LOSS) BEFORE INCOME TAXES | (10,220) | 229,748 |
| INCOME TAX EXPENSE (BENEFIT) | - | - |
| NET INCOME (LOSS) | \$ (10,220) | \$ 229,748 |
| BASIC INCOME (LOSS) PER SHARE | \$ (0.00) | \$ 0.02 |
| DILUTED INCOME (LOSS) PER SHARE | \$ (0.00) | \$ 0.01 |
| WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING | 17,909,075 | 14,499,128 |
| WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING | 17,909,075 | 18,231,793 |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Deficit)

| | Common Shares Shares | Common Shares Amount | Deferred Consulting Fees | Accumulated Deficit |
|--|-------------------------|-------------------------|--------------------------------|------------------------|
| Balance, March 31, 2001 | 12,383,959 | \$ 21,247,795 | \$(173,066) | \$ (21,515,949) |
| Common stock issued for conversion of debt at \$0.25 per share | 100,000 | 25,000 | - | - |
| Common stock issued for conversion of warrants at \$0.75 per share | 67,025 | 50,269 | - | - |

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| | | | | |
|--|------------|--------------|-------------|-----------------|
| Stock offering costs | - | (49,599) | - | - |
| Common stock issued for services at \$0.75 per share | 6,000 | 4,500 | - | - |
| Common stock issued for cash at \$0.10 per share | 250,000 | 25,000 | - | - |
| Warrants issued in conjunction with private placement memorandum at \$0.73 per warrant | - | 191,634 | - | - |
| Common stock issued for services at \$0.28 per share | 20,000 | 5,600 | - | - |
| Common stock issued for services at \$0.30 per share | 15,000 | 4,500 | - | - |
| Common stock issued as consideration for notes payable at \$0.28 per share | 20,000 | 5,600 | - | - |
| Common stock issued for conversion of payable at \$0.63 per share | 75,538 | 47,774 | - | - |
| Common stock issued as consideration for notes payable at \$0.30 per share | 15,000 | 4,500 | - | - |
| Common stock issued for cash at \$0.10 per share | 250,000 | 25,000 | - | - |
| Common stock issued as consideration for notes payable at \$0.14 per share | 59,000 | 8,430 | - | - |
| Amortization of expenses prepaid with common stock | - | - | 145,722 | - |
| Net loss for the year ended March 31, 2002 | - | - | - | (1,560,348) |
| Balance, March 31, 2002 | 13,261,522 | \$21,596,003 | \$ (27,344) | \$ (23,076,297) |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

| Common Shares | Deferred Consulting Fees | Accumulated Deficit |
|---------------|--------------------------|---------------------|
| Shares | Amount | |

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| | | | | |
|---|------------|--------------|-------------|----------------|
| Balance, March 31, 2002 | 13,261,522 | \$21,596,003 | \$ (27,344) | \$(23,076,297) |
| Common stock issued for conversion of accounts payable at \$0.08 per share (unaudited) | 50,000 | 4,250 | - | - |
| Common stock issued for conversion of accounts payable at \$0.30 per share (unaudited) | 15,000 | 4,500 | - | - |
| Common stock issued for conversion of accounts payable at \$0.07 per share (unaudited) | 248,417 | 17,389 | - | - |
| Common stock issued for prepaid services at \$0.05 per share (unaudited) | 515,000 | 27,500 | (27,500) | - |
| Common stock issued for prepaid services at \$0.07 per share (unaudited) | 100,000 | 7,000 | (7,000) | - |
| Common stock issued for services at \$0.07 per share (unaudited) | 157,500 | 11,025 | - | - |
| Cancelled common stock previously issued for services that had not been performed (unaudited) | (20,000) | - | - | - |
| Common stock issued for conversion of debt at \$0.13 per share (unaudited) | 204,000 | 27,541 | - | - |
| Common stock issued for conversion of warrants at \$0.01 per share (unaudited) | 9,808 | 98 | - | - |
| Common stock issued for services at \$0.16 per share (unaudited) | 100,800 | 16,128 | - | - |
| Common stock issued for conversion of warrants at \$0.01 per share (unaudited) | 10,500 | 105 | - | - |
| Common stock issued for extension of debt, valued at an average of \$0.17 per share (unaudited) | 233,250 | 41,353 | - | - |
| Common stock issued for services at \$0.16 per share (unaudited) | 78,125 | 12,500 | - | - |
| Common stock issued for conversion of warrants | | | | |

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| | | | | |
|---------------------|------------|---------------|-------------|-----------------|
| at \$0.01 per share | 13,055 | 131 | - | - |
| | ----- | ----- | ----- | ----- |
| Balance Forward | 14,976,977 | \$ 21,765,523 | \$ (61,844) | \$ (23,076,297) |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

| | Common Shares | Common Shares | Deferred | Accumulated |
|--|---------------|---------------|-------------|-----------------|
| | Shares | Amount | Consulting | Deficit |
| | | | Fees | |
| Balance Forward | 14,976,977 | \$ 21,765,523 | \$ (61,844) | \$ (23,076,297) |
| Common stock issued for conversion of warrants at \$0.01 per share | 10,500 | 105 | - | - |
| Common stock issued for prepaid services at \$0.17 Per share | 304,500 | 51,765 | (51,765) | - |
| Common stock issued for conversion of accounts payable at \$0.07 per share | 181,289 | 11,888 | - | - |
| Options issued to Directors for accrued Director's Fees | - | 45,000 | - | - |
| Common stock issued for services at \$0.095 per share | 90,000 | 8,550 | - | - |
| Common stock issued for services at \$0.095 per share | 153,125 | 14,547 | - | - |
| Common stock issued for services at \$0.095 per share | 130,000 | 12,350 | - | - |
| Common stock issued for conversion of debt at \$0.10 per share | 1,290,000 | 129,000 | - | - |
| Common stock issued for cash at \$0.10 per share | 670,000 | 67,000 | - | - |
| Common stock issued for conversion of warrants at \$0.01 per share | 25,910 | 259 | - | - |
| Amortization of deferred consulting expense | - | - | 113,609 | - |

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| | | | | |
|--|------------|--------------|------|----------------|
| Net loss for the year ended March 31, 2003 | - | - | - | (454,163) |
| Balance, March 31, 2003 | 17,832,301 | 22,105,987 | - | (23,530,460) |
| Common stock issued for conversion of debt and interest at \$0.09 per share (unaudited) | 35,000 | 3,150 | - | - |
| Options issued for accrued directors fees (unaudited) | - | 27,143 | - | - |
| Balance Forward | 17,867,301 | \$22,136,280 | \$ - | \$(23,530,460) |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

| | Common Shares Shares | Common Shares Amount | Deferred Consulting Fees | Accumulated Deficit |
|---|-------------------------|-------------------------|--------------------------------|------------------------|
| Balance Forward | 17,867,301 | \$22,136,280 | \$ - | \$(23,530,460) |
| Common stock issued for conversion of accounts payable at \$0.09 per share (unaudited) | 11,111 | 1,000 | - | - |
| Common stock issued to related party for conversion of accrued interest at \$0.10 per share (unaudited) | 202,234 | 20,223 | - | - |
| Net loss for the three months ended June 30, 2003 (unaudited) | - | - | - | (10,220) |
| Balance, June 30, 2003 | 18,080,646 | \$22,157,503 | \$ - | \$(23,540,680) |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

For the
Three Months Ended

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June 30
2003 2002

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|-------------|------------|
| Net income (loss) | \$ (10,220) | \$ 229,748 |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 14,408 | 20,708 |
| Common stock issued for services | - | 27,153 |
| Common stock issued for debt extensions | - | 41,353 |
| Amortization of debt discount | - | 22,648 |
| Amortization of debt offering and extension costs | 5,299 | 18,015 |
| Amortization of deferred consulting costs | - | 32,469 |
| Changes in operating assets and liabilities: | | |
| (Increase) in accounts receivable | (35,167) | (278,373) |
| (Increase) decrease in prepaid expenses | 99,900 | (1,786) |
| (Increase) in inventory | (762) | (9,142) |
| (Increase) in deposits | - | (1,425) |
| Increase (decrease) in accounts payable and accrued liabilities | 78,544 | 154,886 |
| Increase (decrease) in interest payable | (19,825) | 6,285 |
| (Decrease) in unearned revenue | (8,100) | (99,203) |
| | ----- | ----- |
| Net Cash Provided by Operating Activities | 124,077 | 163,336 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------|-------|
| - | - |
| ----- | ----- |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---------------------------------------|-----------|-----------|
| (Decrease) in cash overdraft | (8,053) | (44,722) |
| Payments to related parties | - | (10,000) |
| Payments on long term debt | (164,811) | (351,617) |
| Proceeds from long term debt | 67,379 | 340,614 |
| Debt extension costs | - | (50,982) |
| Proceeds from common stock | - | 203 |
| | ----- | ----- |
| Net Cash Used by Financing Activities | (105,485) | (116,504) |

| | | |
|------------------|--------|--------|
| INCREASE IN CASH | 18,592 | 46,832 |
|------------------|--------|--------|

| | | |
|-----------------------------|--------|-------|
| CASH AT BEGINNING OF PERIOD | 11,449 | 1,046 |
| | ----- | ----- |

| | | |
|-----------------------|-----------|-----------|
| CASH AT END OF PERIOD | \$ 30,041 | \$ 47,878 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

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June 30,
2003 2002

NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | | | |
|---|----|--------|----|--------|
| Issuance of stock for payment on notes payable and interest | \$ | 23,373 | \$ | 27,541 |
| Common stock issued for services | \$ | - | \$ | 27,153 |
| Common stock issued for payment on accounts payable | \$ | 28,143 | \$ | 26,139 |
| Common stock issued for debt extensions | \$ | - | \$ | 41,353 |

Cash Paid For:

| | | | | |
|--------------|----|--------|----|--------|
| Interest | \$ | 16,367 | \$ | 28,485 |
| Income taxes | \$ | - | \$ | - |

The accompanying notes are an integral part of these consolidated financial statements.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY

Notes to the Consolidated Financial Statements
June 30, 2003 and March 31, 2003

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its March 31, 2003 Annual Report on Form 10-KSB. Operating results for the three months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending March 31, 2004.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in stockholders' equity. All of these items raise substantial doubt about its ability to continue as a going concern. The Company has expanded its product line to include three additional educational labs, which they believe will significantly boost future revenues. The Company also intends to continue offerings of its common stock to raise the capital necessary to cover operating costs not provided for by current revenues. The ability of the Company to continue as a going concern is dependent upon its ability to

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successfully accomplish this plan and to eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 - DILUTIVE INSTRUMENTS

a. Stock Options

The Company applied Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2003 and March 31, 2003

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

FASB Statement 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), requires the Company to provide proforma information regarding net income and net income per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for grants, respectively; dividend yield of zero percent for all years; expected volatility of 84% to 128% percent for all years; risk-free interest rates of 3% to 6%, and expected lives of 3 to 10 years.

| | For the Three Months Ended | |
|------------------------------|----------------------------|------------|
| | June 30, | |
| | 2003 | 2002 |
| Net income (loss): | | |
| As reported | \$ (10,220) | \$ 229,748 |
| Pro Forma | (80,921) | 74,766 |
| Net income (loss) per share: | | |
| As reported | \$ (0.00) | \$ 0.02 |
| Pro Forma | (0.01) | 0.01 |

The Company has granted the following options as of June 30, 2003:

| Description | Date of Grant | Exercise Number | Exercise Price | Amount Exercised |
|------------------|---------------|-----------------|----------------|------------------|
| ----- | ----- | ----- | ----- | ----- |
| 1) Consultant | 9-20-00 | 200,000 | \$ 0.50 | 0 |
| 2) Employees | 9-01-00 | 200,000 | \$ 0.75 | 0 |
| 3) Director | 10-01-00 | 200,000 | \$ 0.75 | 0 |
| 4) Employee | 1-05-01 | 25,000 | \$ 0.75 | 0 |
| 5) Employee | 6-15-01 | 25,000 | \$ 0.75 | 0 |
| 6) Employee | 10-24-01 | 50,000 | \$ 0.30 | 0 |
| 7) Employee | 12-1-01 | 24,230 | \$ 0.15 | 0 |
| 8) Board Members | 12-10-01 | 1,000,000 | \$ 0.30 | 0 |

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| | | | | |
|-------------------|----------|-----------|---------|---|
| 9) Board Members | 6-03-02 | 1,000,000 | \$ 0.16 | 0 |
| 10) Employees | 7-01-02 | 335,000 | \$ 0.16 | 0 |
| 11) Employees | 7-15-02 | 15,000 | \$ 0.16 | 0 |
| 12) Employees | 8-15-02 | 5,000 | \$ 0.16 | 0 |
| 13) Board Members | 10-21-02 | 499,998 | \$ 0.09 | 0 |
| 14) Board Members | 5-15-03 | 892,855 | \$ 0.07 | 0 |
| 15) Employee | 5-20-03 | 100,000 | \$ 0.07 | 0 |

4,572,083
=====

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PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2003 and March 31, 2003

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

| Description | Fair Value | Risk-Free Interest Rate | Expected Life | Expected Volatility |
|-------------------|------------|-------------------------|---------------|---------------------|
| ----- | ----- | ----- | ----- | ----- |
| 1) Consultant | \$ 0.42 | 6.15% | 3 | 89.37% |
| 2) Employees | \$ 0.52 | 6.21% | 3 | 85.69% |
| 3) Director | \$ 0.52 | 6.21% | 3 | 84.39% |
| 4) Employee | \$ 0.52 | 6.21% | 3 | 84.39% |
| 5) Employee | \$ 0.39 | 3.76% | 3 | 76.69% |
| 6) Employee | \$ 0.19 | 3.76% | 3 | 100.52% |
| 7) Employee | \$ 0.14 | 3.76% | 3 | 99.80% |
| 8) Board Members | \$ 0.20 | 5.69% | 10 | 99.80% |
| 9) Board Members | \$ 0.15 | 5.48% | 10 | 128.91% |
| 10) Employees | \$ 0.14 | 2.84% | 3.5 | 157.77% |
| 11) Employees | \$ 0.14 | 2.84% | 3.5 | 152.96% |
| 12) Employees | \$ 0.14 | 2.84% | 3.3 | 163.78% |
| 13) Board Members | \$ 0.09 | 3.94% | 10 | 158.83% |
| 14) Board Members | \$ 0.09 | 3.94% | 10 | 151.61% |
| 15) Employee | \$ 0.06 | 2.54 | 4 | 151.61% |

On June 15, 2001, the Company granted 25,000 options to an employee. These options had an exercise price of \$ 0.75 per option and a three year life with a fair value determined by Black Scholes of \$0.39.

On December 1, 2001, the Company granted employees 24,230 options to employees. The options have an exercise price of \$0.15 per share. As the exercise price of the shares was less than the trading price of the Company's common shares on the date of issuance, the Company has recognized \$1,696 of expense related to these options.

On December 5, 2001, the Company's Board of Directors approved the granting of 1,050,000 options to employees and board members. On October 24, 2001, the Company granted 50,000 shares to an employee. On December 10, 2001, the Company granted 1,000,000 shares to board members. Each option granted has an exercise price of \$0.30 and a fair value determined by Black Scholes of \$0.14 and \$0.20, respectively.

On May 14, 2002, the Company authorized the issuance of 1,000,000 options to members of the board of directors. These options vested immediately and have an exercise price of \$0.16 per share and are exercisable for ten years. All 1,000,000 of the options were granted on June 3, 2002. The options were

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determined to have a fair value of \$0.15 per share using the Black-Scholes valuation model. The granting of these options had a \$154,983 impact on the pro forma net income of for the Company.

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements
June 30, 2003 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

On May 14, 2002, the Company also authorized the issuance of 500,000 options to employees. These options vest over three and one-half years and have an exercise price of \$0.16 per share. The Company granted 355,000 of the options to employees during July and August of 2002. The options were determined to have a fair value of \$0.14 per share using the Black-Scholes valuation model. As none of these options have vested as of March 31, 2003, their granting had no impact on the pro form net income of the Company.

On October 21, 2002, the Company authorized and issued 499,998 options to Board Members as payment for accrued directors fees. These options vested immediately and have an exercise price of \$0.09 per share. The options were determined to have a fair value of \$0.09 per share using the Black-Scholes valuation model. The granting of these options had a \$44,556 impact on the pro forma net income of for the Company.

On May 15, 2003, the Company authorized and issued 892,855 options to Board Members as payment for accrued directors fees. These options vested immediately and have an exercise price of \$0.07 per share. The options were determined to have a fair value of \$0.09 per share using the Black-Scholes valuation model. The intrinsic value of the shares, of \$0.02 per share or \$17,857, was recorded as an offset to the accrued liability with the net balance being applied to equity. The granting of these options had a \$61,545 impact on the pro forma net income of for the Company.

On May 20, 3003, the Company authorized and issued 100,000 options to an employee. These options vest over three years and have an exercise price of \$0.07 per share. The options were determined to have a fair value of \$0.06 per share using the Black-Scholes valuation model. The granting of these options had a \$5,725 impact on the pro forma net income of for the Company.

b. Warrants

During the year ended March 31, 2002, the Company issued warrants allowing the holders to purchase 263,607 shares of the Company's common stock. The warrants were issued in conjunction with the private placement memorandum and are exercisable at a price of \$0.01 per share for two years. The fair value of the warrants, as determined by Black Scholes, was \$191,634, and was recorded as debt discount. This discount has been fully amortized as of March 31, 2003.

During the year ended March 31, 2003, 69,773 of these warrants were exercised and converted into an equivalent number of common shares in exchange for \$698 in cash.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

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Results of Operations.

Three months ended June 30, 2003, compared to three months ended June 30, 2002.

Revenues for the three month period ended June 30, 2003, decreased to \$491,354 as compared to \$1,062,636 for the three month period ended June 30, 2002. Revenues decreased due to decreased lab sales over the same period last year.

General and administrative costs have decreased to \$148,979 for the three month period ended June 30, 2003, as compared to \$226,693 for the three month period ended June 30, 2002.

Interest expense for the three month period ended June 30, 2003, decreased to \$25,280 as compared to \$79,719 for the three month period ended June 30, 2002.

We had a net loss of \$(10,220) for the three months ended June 30, 2003, as compared to a net income of \$229,748 for the quarterly period ended June 30, 2002.

Liquidity and Capital Resources.

We had \$30,041 in cash at June 30, 2003. Management believes that the cash received from delivered sales orders as well as continued private exempt offerings of our common stock, will be sufficient to meet our operating expenses.

Item 3. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

PCS's Chief Executive Officer and Chief Financial Officer have evaluated our Company's disclosure controls and procedures as of August 18, 2003, and they have concluded that these controls and procedures are effective.

(b) Changes in Internal Controls

There are no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to August 18, 2003.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Warren Black v. PCS.

On January 18, 2002, Warren Black, a former independent contractor for the Company, filed a complaint against the Company alleging breach of contract. Mr. Black seeks the return of certain software products that he claimed to have provided the Company during his employment, or their monetary equivalent, which he claims to be \$15,000. The Company settled this action in February 2003. Per the terms of the settlement agreement, the Company agreed to issue Mr. Black a \$6,000 note in full satisfaction of his claim. The note

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is payable in quarterly installments of \$1,500 and accrues interest at 8.0% per annum. The Company made a payment of \$1,500 as of June 30, 2003.

Item 2. Changes in Securities and Use of Proceeds.

Sales of Unregistered Securities During the Last Quarter.

| Description | Shares | Amount |
|---|---------|-----------|
| Common stock issued for conversion of debt and interest at \$0.09 per share | 35,000 | 3,150.00 |
| Common stock issued for conversion of accounts payable at \$0.09 per share | 11,111 | 1,000.00 |
| Common stock issued to related party for conversion of accrued interest at \$0.10 per share | 202,234 | 20,223.00 |
| Total | 248,345 | |

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

31.1 302 Certification of Anthony A. Maher

31.2 302 Certification of Christina M. Vaughn

32 906 Certifications

SB-2 Registration Statement Filed with an Effective Date of May 11, 2001*

* Incorporated by Reference.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the

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undersigned thereunto duly authorized.

PCS EDVENTURES.COM, INC.

Date: 8/19/03

By:/s/Anthony A. Maher

Anthony A. Maher
Chief Executive Officer, President and
Chairman of the Board of Directors

Date: 8/19/03

By:/s/Christina M. Vaughn

Christina M. Vaughn
Chief Financial Officer

Date: 8/19/03

By:/s/Roy M. Svee

Roy M. Svee
Treasurer and Director