

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

PCS EDVENTURES COM INC  
Form 10QSB  
February 10, 2005

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 December 31, 2004

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-49990

PCS EDVENTURES!.COM, INC.  
-----

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

IDAHO  
-----

82-0475383  
-----

(State or Other Jurisdiction of  
incorporation or organization)

(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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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:

27,355,451

# Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

December 31, 2004

Transitional Small Business Disclosure Format (Check One): Yes  No   
--- ---

## 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

December 31, 2004 and March 31, 2004

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

#### ASSETS

	December 31, 2004	March 31, 2004
	-----	-----
	(Unaudited)	
<b>CURRENT ASSETS</b>		
Cash	\$ 63,133	\$ 113,820
Accounts receivable	149,996	449,518
Inventory	40,514	-
Deferred costs	71,588	-
Note receivable	-	50,000
Prepaid expenses	629	6,084
	-----	-----
<b>Total Current Assets</b>	<b>325,860</b>	<b>619,422</b>
	-----	-----
<b>FIXED ASSETS (NET)</b>	<b>5,133</b>	<b>-</b>
	-----	-----
<b>OTHER ASSETS</b>		
Deposit on distribution rights	45,000	45,000
Deposits	6,225	6,175
	-----	-----
<b>Total Other Assets</b>	<b>51,225</b>	<b>51,175</b>
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 382,218</b>	<b>\$ 670,597</b>
	=====	=====

The accompanying notes are an integral part of these consolidated financial

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

statements.

F-2

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	December 31, 2004	March 31, 2004
	-----	-----
	(Unaudited)	
CURRENT LIABILITIES		
Accounts payable	\$ 69,749	\$ 55,665
Wages payable	29,503	38,436
Payroll taxes payable	95,845	182,949
Accrued interest	79,983	56,465
Accrued interest - related parties	8,009	4,098
Accrued expenses	119,506	256,818
Unearned revenue	341,434	204,404
Notes payable - related parties	117,054	165,882
Notes payable	180,639	349,810
	-----	-----
Total Current Liabilities	1,041,722	1,314,527
	-----	-----
Total Liabilities	1,041,722	1,314,527
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value, authorized 10,000,000 shares, 15,246 and 82,850 shares issued and outstanding, respectively	56,372	120,473
Common stock, no par value, authorized 40,000,000 shares; 27,355,451 and 24,230,874 shares issued and outstanding, respectively	23,864,669	23,023,323
Expenses prepaid with common stock	(33,750)	(67,292)
Variable deferred consulting fees	(1,333)	-
Accumulated deficit	(24,545,462)	(23,720,434)
	-----	-----
Total Stockholders' Equity (Deficit)	(659,504)	(643,930)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 382,218	\$ 670,597
	=====	=====

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

F-3

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

For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
-----	-----	-----	-----
2004	2003	2004	2003
-----	-----	-----	-----

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

REVENUE				
Lab Revenue	\$ 213,936	\$ 151,785	\$ 837,648	\$ 1,260,002
License Revenue	36,057	35,856	123,132	109,947
Subscription Revenue	4,168	3,216	11,218	11,165
	-----	-----	-----	-----
Total Revenues	254,161	190,857	971,998	1,381,114
	-----	-----	-----	-----
COST OF GOODS SOLD/ COST OF SALES				
	113,888	86,589	368,521	446,092
	-----	-----	-----	-----
GROSS PROFIT	140,273	104,268	603,477	935,022
	-----	-----	-----	-----
OPERATING EXPENSES				
Salaries and wages	162,241	119,913	430,108	352,451
Depreciation expense	275	-	367	25,447
Common stock and stock options issued for consulting expense	(3,509)	-	483,921	-
General and administrative	170,928	153,445	511,388	508,746
	-----	-----	-----	-----
Total Operating Expenses	329,935	273,358	1,425,784	886,644
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(189,662)	(169,090)	(822,307)	48,378
	-----	-----	-----	-----
OTHER INCOME AND EXPENSES				
Gain on settlement of debt	-	-	43,990	-
Interest income	15	-	987	-
Interest expense	(16,047)	(31,941)	(56,497)	(103,812)
Other income	3,517	-	16,086	-
Other expense	(1,788)	-	(3,783)	-
	-----	-----	-----	-----
Total Other Income and (Expenses)	(14,303)	(31,941)	783	(103,812)
	-----	-----	-----	-----
LOSS BEFORE INCOME TAXES	(203,965)	(201,031)	(821,524)	(55,434)
	-----	-----	-----	-----
INCOME TAX EXPENSE	-	-	-	-
	-----	-----	-----	-----
NET LOSS	\$ (203,965)	\$ (201,031)	\$ (821,524)	\$ (55,434)
	-----	-----	-----	-----

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

4

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
NET LOSS	\$ (203,965)	\$ (201,031)	\$ (821,524)	\$ (55,434)
	-----	-----	-----	-----
Accretion of preferred stock discount	-	-	-	(2,500)

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Pro-rata preferred stock  
non-cash dividend - (233) - (417)

NET LOSS ATTRIBUTABLE  
TO COMMON  
SHAREHOLDERS \$ (203,965) \$ (201,264) \$ (821,524) \$ (58,351)

BASIC LOSS  
PER SHARE \$ (0.01) \$ (0.01) \$ (0.03) \$ (0.00)

WEIGHTED AVERAGE NUMBER OF  
BASIC SHARES OUTSTANDING 25,745,125 19,771,024 25,892,537 18,640,974

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

F-4

PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Shares		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance, March 31, 2004	24,230,874	\$ 23,023,323	82,850	\$120,473
Common stock issued for services at \$0.17 per share (unaudited)	30,000	5,100	-	-
Stock offering costs (unaudited)	-	(5,100)	-	-
Common stock issued for services at \$0.17 per share (unaudited)	240,000	40,800	-	-
Stock offering costs (unaudited)	-	(40,800)	-	-
Options issued to employees below market value (unaudited)	-	3,000	-	-
Options issued to consultants below market value (unaudited)	-	507,877	-	-
Common stock issued for conversion of debt and interest at \$0.20 per share (unaudited)	376,165	75,232	-	-
Common stock issued for cash at \$0.10 per share for option exercise (unaudited)	750,000	75,000	-	-
Intrinsic value of				

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

employee options issued below market value (unaudited)	-	5,000	-	-
Common stock issued for related party note payable reduction at \$0.07 per share (unaudited)	250,000	17,500	-	-
Fair value of options issued to consultant (unaudited)	-	696	-	-
Common stock issued for conversion of preferred stock at \$0.20 per share (unaudited)	338,020	67,603	(67,604)	(67,603)
Options issued to directors for accrued director fees (unaudited)	-	9,241	-	-
Contributed capital for accrued director fees (unaudited)	-	50,759	-	-
Pro-rata cumulative non-cash preferred stock dividend (unaudited)	-	-	-	3,502
Amortization of prepaid expense (unaudited)	-	-	-	-
Amortization and revaluation of consulting expense (unaudited)	-	(84,102)	-	-
Stock issued for marketing services at \$0.09 per share (unaudited)	250,000	22,500	-	-
Stock issued for legal services at \$0.09 per share (unaudited)	500,000	45,000	-	-
Stock issued for accounts payable at \$0.15 per share (unaudited)	45,833	6,875	-	-
Stock issued for note payable to related party at \$0.06 per share (unaudited)	344,559	20,674	-	-
Amortization and revaluation of deferred consulting (unaudited)	-	(12,000)	-	-
Amortization of prepaid expense (unaudited)	-	-	-	-

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Fair value of options issued to consultant (unaudited)	-	491	-	-
Options issued to directors for accrued director fees (unaudited)	-	28,416	-	-
Contributed capital for accrued director fees (unaudited)	-	1,584	-	-
Net loss, December 31, 2004 (unaudited)	-	-	-	-
Balance, December 31, 2004 (unaudited)	27,355,451	\$23,864,669	15,246	\$ 56,372

[CONTINUED]

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

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
Balance, March 31, 2004 (unaudited)	\$ (67,292)	-	\$ (23,720,436)
Common stock issued for services at \$0.17 per share (unaudited)	-	-	-
Stock offering costs (unaudited)	-	-	-
Common stock issued for services at \$0.17 per share (unaudited)	-	-	-
Stock offering costs (unaudited)	-	-	-
Options issued to employees below market value (unaudited)	-	-	-
Options issued to consultants below market value (unaudited)	-	(507,877)	-
Common stock issued for conversion of debt and interest at \$0.20 per share (unaudited)	-	-	-
Common stock issued for cash at \$0.10 per share for option exercise (unaudited)	-	-	-
Intrinsic value of			

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

employee options issued below market value (unaudited)	-	-	-
Common stock issued for related party note payable reduction at \$0.07 per share (unaudited)	-	-	-
Fair value of options issued to consultant (unaudited)	-	-	-
Common stock issued for conversion of preferred stock at \$0.20 per share (unaudited)	-	-	-
Options issued to directors for accrued director fees (unaudited)	-	-	-
Contributed capital for accrued director fees (unaudited)	-	-	-
Pro-rata cumulative non-cash preferred stock dividend (unaudited)	-	-	(3,502)
Amortization of prepaid expense (unaudited)	67,292	-	-
Amortization and revaluation of consulting expense (unaudited)	-	498,544	-
Stock issued for marketing services at \$0.09 per share (unaudited)	(22,500)	-	-
Stock issued for legal services at \$0.09 per share (unaudited)	(45,000)	-	-
Stock issued for accounts payable at \$0.15 per share (unaudited)	-	-	-
Stock issued for note payable to related party at \$0.06 per share (unaudited)	-	-	-
Amortization and revaluation of deferred consulting (unaudited)	-	8,000	-
Amortization of prepaid expense (unaudited)	33,750	-	-
Fair value of options issued to consultant			



Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

(unaudited)	-	-	-
Options issued to directors for accrued director fees (unaudited)	-	-	-
Contributed capital for accrued director fees (unaudited)	-	-	-
Net loss, December 31, 2004 (unaudited)	-	-	(821,524)
Balance, December 31, 2004 (unaudited)	(33,750)	\$ (1,333)	\$ (24,545,462)

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

F-13

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

	For the Nine Months Ended December 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (821,524)	\$ (55,434)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	367	25,447
Gain on extinguishment	(43,990)	-
Stock options issued for consulting services	411,629	-
Stock options issued for board compensation	3,000	-
Stock options issued for compensation	5,000	31,607
Common stock issued for debt extensions	-	5,760
Amortization of expenses prepaid with common stock	101,042	-
Amortization of debt offering and extension costs	-	5,460
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	299,522	(111,670)
Decrease in prepaid expenses and deferred costs	-	43,311
(Increase) in inventory	(112,102)	1,212
(Increase) in deposits	-	(5,750)
Increase (decrease) in accounts payable and accrued liabilities	(48,741)	44,616
Increase (decrease) in interest payable	-	(1,458)
Increase (decrease) in unearned revenue	137,030	53
Decrease in other assets	5,405	-
Net Cash Used by Operating Activities	(63,362)	(16,846)
CASH FLOWS FROM INVESTING ACTIVITIES		

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Cash receipt on notes receivable	50,000	-
Purchase of fixed assets	(5,500)	-
	-----	-----
Net Cash Provided by Investing Activities	44,500	-
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in cash overdraft	-	(8,053)
Payments to related parties	(10,654)	-
Principal payments on notes payable	(96,171)	(564,349)
Proceeds from debt	-	450,898
Proceeds from common stock	75,000	179,341
Proceeds from preferred stock	-	5,000
	-----	-----
Net Cash Provided (Used) by Financing Activities	(31,825)	62,837
	-----	-----
NET INCREASE (DECREASE) IN CASH	(50,687)	45,991
CASH AT BEGINNING OF PERIOD	113,820	11,449
	-----	-----
CASH AT END OF PERIOD	\$ 63,133	\$ 57,440
	=====	=====

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

F-14

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

For the  
Nine Months Ended  
December 31,

	-----	-----
	2004	2003
	-----	-----
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of stock for payment on notes payable and interest	\$ 75,232	\$ 38,373
Common stock issued for related party debt	\$ 38,174	\$ -
Stock options issued for accrued director fees	\$ 90,000	\$ -
Common stock issued for stock offering costs	\$ 45,900	\$ -
Common stock issued for payment on accounts payable	\$ 6,875	\$ 28,143
Common stock issued for debt extensions	\$ -	\$ 5,760
Preferred stock issued for conversion of notes payable	\$ -	\$ 5,000
Stock options issued for consulting services	\$ 411,629	\$ -
Stock options issued for employee and board compensation	\$ 3,000	\$ -
Cash Paid For:		
Interest	\$ 19,490	\$ 71,960
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial

## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

statements.

F-15

PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31 and March 31, 2004

### 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, 2004 Annual Report on Form 10-KSB. Operating results for the nine months ended December 31, 2004 are not necessarily indicative of the results that may be expected for the year ending March 31, 2005.

Certain prior period balances have been reclassified to conform to current period presentation.

### NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America 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. During the fiscal year ending March 2004, the Company added depth to one of its most popular product lines, the PCS Brick Lab, introducing the Brick Lab Grade Series for Grades 1 and 2 with plans to introduce Grades 3 and 4 during fiscal year 2005 and Grades 5 and 6 during fiscal year 2006. The Company has also entered into an exclusive distribution agreement with a company whose science-oriented products will complement its engineering curriculum and labs. In addition to widening and deepening its product mix, the Company has also entered into agreements with independent sales agency groups which the Company believes will provide better market penetration and coverage. In addition, the Company intends to continue offering its common stock to raise additional capital necessary to cover operating expenses and its cost containment strategy, not investing significant amounts of capital to research and development.

The ability of the Company to continue as a going concern is dependent upon its ability to 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.

## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

### 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.

F-16

PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and March 31, 2004

### NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

#### a. Stock Options (Continued)

During October 2004, the Company issued 344,559 shares of common stock to its Chief Executive Officer for the non-cash reduction of related party debt of \$20,674.

On October 1, 2004, PCS entered into a six-month agreement with Equitilink. The scope of said agreement includes public relations and investor communications services. The six-month agreement will be extended for an additional three months, unless cancelled by PCS. Compensation for Equitilink's services is 250,000 shares of restricted stock valued at \$22,500 or \$0.09 per share representing fair market value. This amount will be amortized over the six-month term of the agreement.

On October 1, 2004, PCS entered into a twelve-month agreement with Michael Corrigan, attorney. The scope of said agreement is for legal representation for such matters that PCS deem necessary. Compensation for Corrigan's services for the first six months is 500,000 of free trading, non-restricted shares of common stock valued at \$45,000 or \$0.09 per share representing fair market value. This amount will be amortized over the six-month term of the agreement. Unless PCS cancels the agreement at the end of six months, compensation for the remainder of the twelve-month agreement will be an additional 500,000 free trading, non-restricted shares of common stock.

During October 2004, the Company issued 45,833 shares of common stock for the non-cash reduction of accounts payable debt of \$6,875.

During the period ended September 30, 2004, the Company issued options to purchase 6,000,000 shares of its common stock for prepaid consulting fees. The options are exercisable immediately with 2,000,000 options exercisable at a price of \$0.10 per share for 60 days while 4,000,000 are exercisable at a price of \$0.25 per share for 120 days. During the period, 750,000 options were exercised at \$0.10 and 5,250,000 were allowed to expire unexercised. The issuance of these options resulted in the recording of \$372,988 in variable deferred consulting fees.

In accordance with EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and due to the options being issued for ongoing services, the options are being valued as the services are completed. In order to capture the changes in the fair value of the options over the term of service, changes in the fair values at interim reporting dates are attributed in accordance with FIN 28, "Accounting for Stock Appreciation Rights and Other

## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Variable Stock Option or Award Plans". FIN 28 states that consulting expense should be measured at the end of each period as the amount by which the fair value of the options covered by a grant exceeds the option price or value specified under the plan and should be accrued as a charge to expense over the periods the grantee performs the related services. Changes in the quoted market value are being reflected as adjustments of deferred consulting and consulting expense in the period and will continue until the date the services are complete. Consulting deferred during the service period is being adjusted in subsequent periods up to the measurement date for changes, either increases or decreases, in the fair value of the options covered by the grant but shall not be adjusted below zero. The offsetting adjustment is being made to consulting expense of the period in which changes in the fair value occur. During the quarter ended September 30, 2004, these options expired unexercised. PCS recognized the remaining \$120,000 in non-cash consulting expense.

During the quarter ended June 30, 2004, the Company issued options to purchase 800,000 shares of its common stock for prepaid consulting fees. The options are exercisable immediately in groups of 200,000 at prices of \$0.10, \$0.20, \$0.30 and \$0.35 per share for one year. The issuance of these options resulted in the recording of \$134,889 in variable deferred consulting fees. In accordance with EITF 96-18 and FIN 48, during the quarter ended December 31, 2004, the revaluation of these options resulted in the recording of a decrease in deferred valuation of \$8,000 and a decrease of \$4,000 in non-cash consulting expense.

SFAS No. 148, requires the Company to provide pro forma information regarding net loss and net loss 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. 148. The current period pro forma net loss includes \$10,291 of prior period option expense amortization. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model.

	For the Nine Months Ended December 31,	
	2004	2003
Net loss:		
As reported	\$ (821,524)	\$ (55,434)
Pro Forma	(985,664)	(169,991)
Net loss per share:		
As reported	\$ (0.01)	\$ (0.00)
Pro Forma	(0.04)	(0.01)

The Company has the following outstanding options as of December 31, 2004:

Description	Date of Grant	Issue Number	Issue Price	Amount Exercised	Amount Expired/ Cancelled	Amount
1) Board Members	12-10-01	1,000,000	\$ 0.30	0	(250,000)	750,000
2) Board Members	06-03-02	1,000,000	\$ 0.16	0	(250,000)	750,000
3) Employees	07-01-02	335,000	\$ 0.16	0	(10,000)	325,000
4) Employee	08-15-02	5,000	\$ 0.16	0	0	5,000
5) Board Members	10-21-02	499,998	\$ 0.09	0	(166,666)	333,332
6) Board Members	05-15-03	892,855	\$ 0.07	(250,000)	(214,285)	428,570
7) Employee	05-20-03	100,000	\$ 0.07	0	0	100,000

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

8) Employee	07-25-03	25,000	\$ 0.10	0	0	25,000
9) Employee	09-05-03	150,000	\$ 0.07	0	0	150,000
10) Employee	09-25-03	25,000	\$ 0.15	0	0	25,000
11) Board Member	04-28-04	150,000	\$ 0.15	0	0	150,000
12) Consultant	04-28-04	2,000,000	\$ 0.10	(750,000)	(1,250,000)	0
13) Consultant	04-28-04	4,000,000	\$ 0.25	0	(4,000,000)	0
14) Consultant	04-28-04	200,000	\$ 0.10	0	0	200,000
15) Consultant	04-28-04	200,000	\$ 0.20	0	0	200,000
16) Consultant	04-28-04	200,000	\$ 0.30	0	0	200,000
17) Consultant	04-28-04	200,000	\$ 0.35	0	0	200,000
18) Board Members	09-14-04	80,358	\$ 0.14	0	0	80,358
19) Board Members	09-14-04	93,750	\$ 0.12	0	0	93,750
20) Board Members	09-14-04	112,500	\$ 0.10	0	0	112,500
21) Board Members	09-14-04	48,912	\$ 0.23	0	0	48,912
22) Board Members	09-14-04	57,692	\$ 0.26	0	0	57,692
23) Employee	07-29-04	153,533	\$ 0.15	0	0	153,533
24) Employee	08-10-04	50,000	\$ 0.13	0	0	50,000
25) Employee	07-10-04	50,000	\$ 0.13	0	0	50,000
26) Employee	07-01-04	25,000	\$ 0.31	0	0	25,000
27) Consultant	07-29-04	5,000	\$ 0.15	0	0	5,000
28) Employee	11-15-04	100,000	\$ 0.10	0	0	100,000
29) Board Members	01-04-05	315,792	\$ 0.10	0	0	315,792
30) Consultant	01-06-05	4,500	\$ 0.10	0	0	4,500

-----	-----	-----	-----
12,079,890	(1,000,000)	6,140,951	4,938,939
=====	=====	=====	=====

Amount Exercisable 4,540,406

=====

F-18

PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31 and March 31, 2004

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

Description	Fair Value	Risk-Free Interest Rate	Expected Life	Expected Volatility
-----	-----	-----	-----	-----
1) Board Members	\$ 0.20	5.69%	10.00	99.80%
2) Board Members	\$ 0.15	5.48%	10.00	128.91%
3) Employee	\$ 0.14	2.84%	3.50	157.77%
4) Employee	\$ 0.14	2.84%	3.30	163.77%
5) Board Members	\$ 0.09	3.94%	10.00	158.83%
6) Board Members	\$ 0.09	3.94%	10.00	151.61%
7) Employee	\$ 0.06	2.54%	4.00	151.61%
8) Employee	\$ 0.12	2.81%	4.00	156.24%
9) Employee	\$ 0.11	2.81%	4.00	152.03%
10) Employee	\$ 0.12	3.07%	5.85	152.03%
11) Board Member	\$ 0.17	4.43%	10.00	344.55%
12) Consultant	\$ 0.17	0.98%	0.17	187.13%
13) Consultant	\$ 0.17	0.98%	0.33	187.13%
14) Consultant	\$ 0.17	1.55%	1.00	537.80%

## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

15) Consultant	\$	0.17	1.55%	1.00	537.80%
16) Consultant	\$	0.17	1.55%	1.00	537.80%
17) Consultant	\$	0.17	1.55%	1.00	537.80%
18) Board Members	\$	0.15	4.14%	10.00	247.04%
19) Board Members	\$	0.15	4.14%	10.00	247.04%
20) Board Members	\$	0.15	4.14%	10.00	247.04%
21) Board Members	\$	0.15	4.14%	10.00	247.04%
22) Board Members	\$	0.15	4.14%	10.00	247.04%
23) Employee	\$	0.14	3.78%	5.00	250.60%
24) Employee	\$	0.13	3.47%	5.00	247.04%
25) Employee	\$	0.23	3.64%	5.00	250.60%
26) Employee	\$	0.27	3.81%	5.00	240.27%
27) Consultant	\$	0.14	3.78%	5.00	250.60%
28) Employee	\$	0.10	3.53%	5.00	236.98%
29) Board Members	\$	0.09	4.29%	10.00	234.54%
30) Consultant	\$	0.11	3.65%	5.00	236.98%

### NOTE 4 - MATERIAL EVENTS

During July 2004, the Company agreed to a Release of All Claims and Settlement Agreement (the Settlement) with Xerox Capital Services, LLC in regard to a past due notes payable and copier lease payments. The Settlement calls for the payment of \$44,252 in installments as follows: \$7,500 upon execution; \$10,000 on or before August 5, 2004; \$10,000 on or before August 19, 2004; \$12,500 on or before September 15, 2004; and \$4,252 on or before October 15, 2004. In addition, the Company agreed to return the copier. The Company has recognized a gain on extinguishment of debt of \$43,990 as a result of this Settlement. As of December 31, 2004, all scheduled payments have been made; the obligation is paid in full.

F-19

PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and March 31, 2004

### NOTE 5 - SUBSEQUENT EVENTS

During the months of December 2004 and January 2005, PCS received two substantial orders from two customers totaling \$379,000. \$132,000 of this unearned revenue is reflected in the above balance sheet. The \$379,000 total will be recognized in the quarter ending March 31, 2005. This represents a significant 39% increase in the current revenue figures of \$971,998.

During the month of January 2005, the Company issued options to purchase 78,948 shares of common stock to each of its four Board Members, for a total issuance of 315,792 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarters ending September 30, 2004 and December 31, 2004. These figures are included in the above financial statements.

During the month of January 2005, the Company issued options to purchase 4,500 shares of common stock to a consultant for purchasing services at an exercise price of \$0.10 per share. These figures are included in the above financial statements.

F-20

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

-----

## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

### Results of Operations.

-----

Nine months ended December 31, 2004, compared to nine months ended December 31, 2003.

-----

Revenues for the nine-month period ended December 31, 2004, decreased by \$409,116 (30.0%) to \$971,998 as compared to \$1,381,114 for the nine-month period ended December 31, 2003. Revenues decreased due to a combination of a policy change in the fourth quarter of fiscal year 2004 as well as a slight decrease in sales. We changed our policy to give our customers more choice in their lab materials. Under the new policy, our customers can choose where to purchase their lab materials (e.g. LEGO [Registered] manipulatives) and they simply purchase the PCS curriculum, customized furniture unit and site license materials from us. There is no effect on our gross profit as a result of our policy change as our revenues are reduced by same amount as our cost of goods sold.

General and administrative costs have increased slightly by \$2,637, or 1.0% to \$511,383 for the nine-month period ended December 31, 2004, as compared to \$508,746 for the nine-month period ended December 31, 2003. This increase is primarily due to an increase in outside consulting services and an increase in marketing expenses, including travel, trade shows and marketing brochures.

Operating expenses for the nine-month period ended December 31, 2004, included a non-cash expenditure for \$483,921 associated with stock and options which were granted to consultants. The scope of said consulting agreement includes advisement and consultation regarding distribution strategies, evaluation of potential acquisition targets and the structuring of any such transactions, and business development strategies, including geographic and service expansion plans.

Interest expense for the nine-month period ended December 31, 2004, decreased to \$56,497 as compared to \$103,812 for the nine-month period ended December 31, 2003. This decrease is due to less interest expense associated with the conversion of indentured trust debt to common stock as well as a reduction in finance charges associated with the financing of our cost of goods sold. Said reduction corresponds to our change in our revenue policy (see revenue section).

We had a net loss of (\$821,524), or (\$0.03) per share, for the nine months ended December 31, 2004, as compared to a net loss of (\$55,434) or (\$0.00) per share, for the nine-month period ended December 31, 2003. The net loss for the nine months ended December 31, 2004, after removing the costs of stock and options issued for services of \$483,921, is (\$337,603), or (\$0.01) per share.

### Liquidity and Capital Resources.

-----

We had a cash balance of \$63,133 at December 31, 2004. Management believes that the cash received from delivered sales orders, as well as continued limited offerings of our common stock, will be sufficient to meet our operating expenses.

### Item 3. Controls and Procedures.

-----

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of



## Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

our President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

### PART II - OTHER INFORMATION

#### Item 1. Legal Proceedings.

-----

None; not applicable.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

-----

##### Sales of Unregistered Securities During the Last Quarter.

-----

Description	Common Shares	Amount	Preferred Shares	Amount
-----	-----	-----	-----	-----
Equitilink	250,000	(1)		
Michael Corrigan	500,000	(2)		
Richard Schmidt	45,833	(3)		
Anthony Maher	344,559	(4)		

(1) On October 1, 2004, PCS entered into a six-month agreement with Equitilink. The scope of said agreement includes public relations and investor communications services. The six-month agreement will be extended for an additional three months, unless cancelled by PCS. Compensation for Equitilink's services is 250,000 shares of restricted stock at \$0.09 per share.

(2) On October 1, 2004, PCS entered into a twelve-month agreement with Michael Corrigan, attorney. The scope of said agreement is for legal representation for such matters that PCS deem necessary. Compensation for Corrigan's services for the first six months is 500,000 of free trading, non-restricted shares of common stock at \$0.09 per share. Unless PCS cancels the agreement at the end of six months, compensation for the remainder of the twelve-month agreement will be an additional 500,000 free trading, non-restricted shares of common stock.

(3) During October 2004, the Company issued 45,833 shares of common stock at \$0.15 per share for the non-cash reduction of accounts payable debt of \$6,875.

(4) During October 2004, the Company issued 344,559 shares of common stock at \$0.06 per share to its Chief Executive Officer for the non-cash reduction of related party debt of \$20,674.

#### Item 3. Defaults Upon Senior Securities.

-----

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

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.

8-K Current Report Dated July 1, 2004, and filed with the  
Securities and Exchange Commission on July 2, 2004.

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  
undersigned thereunto duly authorized.

PCS EDVENTURES.COM, INC.

Date: 2/9/2005  
-----

/s/Anthony A. Maher  
-----

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

Date: 2/9/2005  
-----

/s/Christina M. Vaughn  
-----

Christina M. Vaughn  
Chief Financial Officer