

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

PCS EDVENTURES COM INC  
Form 10QSB  
February 17, 2004

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

FORM 10-QSB

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

For the quarterly period ended December 31, 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.  
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(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.)
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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  
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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:

20,072,296

December 31, 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

December 31, 2003 and March 31, 2003

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

Consolidated Balance Sheets

### ASSETS

	December 31, 2003 (Unaudited)	March 31, 2003
CURRENT ASSETS		
Cash	\$ 57,440	\$ 11,449
Accounts receivable	457,003	345,333
Inventory	861	2,073
Deferred costs	60,351	103,662
Debt extension costs, net	-	5,460
	-----	-----
Total Current Assets	575,655	467,977
	-----	-----
FIXED ASSETS (NET)	-	25,447
	-----	-----
OTHER ASSETS		
Deposits	6,175	425
	-----	-----
Total Other Assets	6,175	425
	-----	-----
TOTAL ASSETS	\$ 581,830	\$ 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)

	December 31, 2003 (Unaudited)	March 31, 2003
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ -	\$ 8,053
Accounts payable	164,132	109,742
Wages payable	38,436	30,603
Payroll taxes payable	178,884	233,331
Accrued interest	41,192	33,397
Accrued interest-related party	12,385	21,638
Accrued expenses	157,453	170,328
Unearned revenue	382,542	382,489
Notes payable - related party	165,882	165,882
Notes payable	627,607	762,859
	-----	-----
Total Current Liabilities	1,768,513	1,918,322
	-----	-----
Total Liabilities	1,768,513	1,918,322
	-----	-----
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, no par value, authorized 10,000,000 shares; 10,000 and -0- issued and outstanding, respectively.	12,917	-
Common stock, no par value, authorized 40,000,000 shares; 20,072,296 and 17,832,301 shares issued and outstanding, respectively	22,389,211	22,105,987
Accumulated deficit	(23,588,811)	(23,530,460)
	-----	-----
Total Stockholders' Equity (Deficit)	(1,186,683)	(1,424,473)
	-----	-----
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 581,830</b>	<b>\$ 493,849</b>
	=====	=====

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 December 31,		For the Nine Months Ended December 31,	
	2003	2002	2003	2002
<b>REVENUE</b>				
Lab Revenue	\$ 151,786	\$ 188,337	\$ 1,260,002	\$ 1,470,888

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License Revenue	35,856	33,934	109,947	110,765
Subscription Revenue	3,216	3,006	11,165	10,561
	-----	-----	-----	-----
Total Revenues	190,857	225,277	1,381,114	1,592,214
	-----	-----	-----	-----
COST OF GOODS SOLD	86,589	59,514	446,092	578,038
	-----	-----	-----	-----
GROSS PROFIT	104,268	165,763	935,022	1,014,176
	-----	-----	-----	-----
OPERATING EXPENSES				
Salaries and wages	119,913	144,330	352,451	412,184
Depreciation expense	-	14,408	25,447	43,224
General and administrative	153,445	203,954	508,746	739,893
	-----	-----	-----	-----
Total Operating Expenses	273,358	362,692	886,644	1,195,301
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(169,090)	(196,929)	48,378	(181,125)
	-----	-----	-----	-----
OTHER INCOME AND EXPENSES				
Gain on extinguishment of debt	-	-	-	17,908
Interest expense	(31,941)	(32,404)	(103,812)	(167,738)
	-----	-----	-----	-----
Total Other Income and Expenses	(31,941)	(32,404)	(103,812)	(149,830)
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(201,031)	(229,333)	(55,434)	(330,955)
	-----	-----	-----	-----
INCOME TAX EXPENSE	-	-	-	-
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (201,031)	\$ (229,333)	\$ (55,434)	\$ (330,955)
	-----	-----	-----	-----

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 (Continued)  
(Unaudited)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2003	2002	2003	2002
NET LOSS	\$ (201,031)	\$ (229,333)	\$ (55,434)	\$ (330,955)
Accretion of preferred stock discount	-	-	(2,500)	-
Pro-rata preferred stock non-cash dividend	(233)	-	(417)	-
	-----	-----	-----	-----
NET INCOME AVAILABLE (LOSS ATTRIBUTABLE) TO COMMON SHAREHOLDERS	\$ (201,264)	\$ (229,333)	\$ (58,351)	\$ (330,955)

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	=====	=====	=====	=====
BASIC LOSS PER SHARE	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	19,771,024	15,170,533	18,640,974	14,836,665

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		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance, March 31, 2002	13,261,522	\$21,596,003	\$ -	-
Common stock issued for conversion of accounts payable at \$0.08 per share	50,000	4,250	-	-
Common stock issued for conversion of accounts payable at \$0.30 per share	15,000	4,500	-	-
Common stock issued for conversion of accounts payable at \$0.07 per share	248,417	17,389	-	-
Common stock issued for prepaid services at \$0.05 per share	515,000	27,500	-	-
Common stock issued for prepaid services at \$0.07 per share	100,000	7,000	-	-
Common stock issued for services at \$0.07 per share	157,500	11,025	-	-
Cancelled common stock previously issued for services that had not been performed	(20,000)	-	-	-
Common stock issued for conversion of debt at \$0.13 per share	204,000	27,541	-	-
Common stock issued for conversion of warrants at \$0.01 per share	9,808	98	-	-

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Common stock issued for services at \$0.16 per share 100,800	16,128	-	-
Balance Forward	14,642,047	\$ 21,711,434	\$ -

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance, March 31, 2002	\$ (27,344)	\$ (23,076,297)
Common stock issued for conversion of accounts payable at \$0.08 per share	-	-
Common stock issued for conversion of accounts payable at \$0.30 per share	-	-
Common stock issued for conversion of accounts payable at \$0.07 per share	-	-
Common stock issued for prepaid services at \$0.05 per share	(27,500)	-
Common stock issued for prepaid services at \$0.07 per share	(7,000)	-
Common stock issued for services at \$0.07 per share	-	-
Cancelled common stock previously issued for services that had not been performed	-	-
Common stock issued for conversion of debt at \$0.13 per share	-	-
Common stock issued for conversion of warrants at \$0.01 per share	-	-
Common stock issued for services at \$0.16 per share	-	-
Balance Forward	\$ (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		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	14,642,047	\$ 21,711,434	\$ -	\$ -
Common stock issued for conversion of warrants at \$0.01 per share	10,500	105	-	-
Common stock issued for extension of debt, valued at an average of \$0.17 per share	233,250	41,353	-	-
Common stock issued for services at \$0.16 per share	78,125	12,500	-	-
Common stock issued for conversion of warrants at \$0.01 per share	13,055	131	-	-
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	-	-
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	-	-
Balance Forward	<u>15,716,391</u>	<u>\$ 21,897,378</u>	<u>\$ -</u>	<u>\$ -</u>

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance Forward	\$ (61,844)	\$ (23,076,297)

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Common stock issued for conversion of warrants at \$0.01 per share	-	-
Common stock issued for extension of debt, valued at an average of \$0.17 per share	-	-
Common stock issued for services at \$0.16 per share	-	-
Common stock issued for conversion of warrants at \$0.01 per share	-	-
Common stock issued for conversion of warrants at \$0.01 per share	-	-
Common stock issued for prepaid services at \$0.17 Per share	(51,765)	-
-		
Common stock issued for conversion of accounts payable at \$0.07 per share	-	-
Options issued to Directors for accrued Director's Fees	-	-
Common stock issued for services at \$0.095 per share	-	-
Common stock issued for services at \$0.095 per share	-	-
	-----	-----
Balance forward	\$ (113,609)	\$ (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		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	15,716,391	\$ 21,897,378	\$ -	\$ -
Common stock issued for services at \$0.095 per share	130,000	12,350	-	-



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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	-	-	-	-
Net loss for the year ended March 31, 2003	-	-	-	-
Balance, March 31, 2003	17,832,301	22,105,987	-	-
Common stock issued for extinguishment of debt and interest at \$0.09 per share (unaudited)	35,000	3,150	-	-
Options issued for accrued directors fees (unaudited)	-	27,143	-	-
Common stock issued for conversion of accounts payable at \$0.09 per share (unaudited)	11,111	1,000	-	-
Balance Forward	17,878,412	\$22,137,280	-	\$ -

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance Forward	\$ (113,609)	\$ (23,076,297)
Common stock issued for services at \$0.095 per share	-	-
Common stock issued for conversion of debt at \$0.10 per share	-	-
Common stock issued for cash at \$0.10 per share	-	-
Common stock issued for conversion of warrants at \$0.01 per share	-	-
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	-	(23,530,460)
Common stock issued for extinguishment of debt and interest at \$0.09 per share (unaudited)	-	-
Options issued for accrued directors fees (unaudited)	-	-
Common stock issued for conversion of accounts payable at \$0.09 per share (unaudited)	-	-
	-----	-----
Balance forward	\$ -	\$(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		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance Forward	17,878,412	\$22,137,280	-	\$ -
Common stock issued to related party for conversion of accrued interest at \$0.10 per share (unaudited)	202,234	20,223	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	19,050	191	-	-
Repriced options issued below market value (unaudited)	-	13,500	-	-
Options issued below market value (unaudited)	-	18,607	-	-
Preferred stock issued for conversion of debt at \$1.00 per share (unaudited)	-	-	5,000	5,000
Preferred stock issued for cash at \$1.00 per				

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share (unaudited)	-	-	5,000	5,000
Discount on preferred stock (unaudited)	-	-	-	2,500
Common stock issued for extension of debt at \$0.10 per share (unaudited)	57,600	5,760	-	-
Common stock issued for conversion of debt at \$0.10 per share (unaudited)	150,000	15,000	-	-
Common stock issued for cash at \$0.01 per share (unaudited)	150,000	15,000	-	-
Balance forward	18,457,296	\$ 22,225,561	\$ 10,000	\$ 12,500

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance forward	\$ -	\$ (23,530,460)
Common stock issued to related party for conversion of accrued interest at \$0.10 per share (unaudited)	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	-	-
Repriced options issued below market value (unaudited)	-	-
Options issued below market value (unaudited)	-	-
Preferred stock issued for conversion of debt at \$1.00 per share (unaudited)	-	-
Preferred stock issued for cash at \$1.00 per share (unaudited)	-	-
Discount on preferred stock (unaudited)	-	(2,500)
Common stock issued for extension of debt at \$0.10 per share (unaudited)	-	-

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Common stock issued for conversion of debt at \$0.10 per share (unaudited)	-	-
Common stock issued for cash at \$0.01 per share (unaudited)	-	-
	-----	-----
Balance forward	\$	\$(23,532,960)
	-----	-----

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		Preferred Shares	
	Shares	Amount	Shares	Amount
Balance forward	18,457,296	\$ 22,225,561	\$ 10,000	\$ 12,500
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	6,000	60	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	550,000	55,000	-	-
Revaluation of repriced and outstanding options (unaudited)	-	(500)	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	200,000	20,000	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	6,000	60	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	250,000	25,000	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	200,000	20,000	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	3,000	30	-	-

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Common stock issued for cash at \$0.10 per share (unaudited)	200,000	20,000	-	-
Common stock issued for cash at \$0.12 per share (unaudited)	200,000	24,000	-	-
Balance forward	<u>20,072,296</u>	<u>\$ 22,389,211</u>	<u>10,000</u>	<u>\$ 12,500</u>

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance forward	\$ -	\$ (23,532,960)
Common stock issued for cash at \$0.10 per share (unaudited)	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	-	-
Common stock issued for the conversion of warrants at \$0.01 per share (unaudited)	-	-
Common stock issued for cash at \$0.10 per share (unaudited)	-	-
Common stock issued for cash at \$0.12 per share (unaudited)	-	-
Balance forward	<u>\$ -</u>	<u>\$ (23,532,960)</u>

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

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

Common Shares

Preferred Shares

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	Shares	Amount	Shares	Amount
Balance forward	20,072,296	\$ 22,389,211	\$ 10,000	\$ 12,500
Pro-rata cumulative non-cash preferred stock dividend (unaudited)	-	-	-	417
Net income for the nine months ended December 31, 2003 (unaudited)	-	-	-	-
Balance, December 31, 2003	20,072,296	\$22,389,211	10,000	\$ 12,917

[CONTINUED]

	Deferred Consulting Fees	Accumulated Deficit
Balance forward	\$	\$(23,532,960)
Pro-rata cumulative non-cash preferred stock dividend (unaudited)	-	(417)
Net income for the nine months ended December 31, 2003 (unaudited)	-	(55,434)
Balance, December 31, 2003	-	\$(23,588,811)

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  
Nine Months Ended  
December 31,  
2003                      2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (55,434)	\$ (330,955)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	25,447	43,224
Common stock issued for services	-	56,908
Common stock issued for debt extensions	5,760	41,353
Options issued below market value	31,607	-
Amortization of debt discount	-	24,654
Amortization of debt offering and extension		

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costs	5,460	45,365
Amortization of deferred consulting fees	-	91,633
Gain on extinguishment of debt	-	(17,908)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(111,670)	273,372
(Increase) decrease in prepaid expenses and deferred costs	43,311	(403)
(Increase) decrease in inventory	1,212	-
(Increase) in deposits	(5,750)	(425)
Increase in accounts payable and accrued liabilities	44,616	194,174
Increase (decrease) in interest payable	(1,458)	10,204
(Decrease) in unearned revenue	53	(233,285)
	-----	-----
Net Cash Provided (Used) by Operating Activities	(16,846)	197,911
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in cash overdraft	(8,053)	(33,126)
Proceeds from related parties	-	27,000
Payments to related parties	-	(20,000)
Payments on debt	(564,349)	(474,801)
Proceeds from debt	450,898	353,305
Debt extension costs	-	(52,033)
Proceeds from sales of common stock	179,341	698
Proceeds from sales of preferred stock	5,000	-
	-----	-----
Net Cash Provided (Used) by Financing Activities	62,837	(198,957)
	-----	-----
INCREASE IN CASH	45,991	(1,046)
CASH AT BEGINNING OF PERIOD	11,449	1,046
	-----	-----
CASH AT END OF PERIOD	\$ 57,440	\$ -
	=====	=====

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 (Continued)  
(Unaudited)

For the  
Nine Months Ended  
December 31,  
2003 2002

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Issuance of stock for payment on notes payable and interest	\$ 38,373	\$ 27,541
Common stock issued for services	\$ -	\$ 56,908
Common stock issued for payment on accounts		

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Payable	\$	28,143	\$	38,027
Common stock issued for debt extensions	\$	5,760	\$	41,353
Preferred stock issued for conversion of notes				
Payable	\$	5,000	\$	-

### Cash Paid For:

Interest	\$	71,960	\$	74,231
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  
December 31, 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 nine months ended December 31, 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 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



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### 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  
December 31, 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 163% percent for all years; risk-free interest rates of 2% to 6%, and expected lives of 3 to 10 years.

	For the Nine Months Ended December 31,	
	2003	2002
Net income (loss):		
As reported	\$ (55,434)	\$ (303,955)
Pro Forma	(169,991)	(485,078)
Net income (loss) per share:		
As reported	\$ (0.00)	\$ (0.02)
Pro Forma	\$ (0.01)	\$ (0.03)

The Company has granted the following options as of December 31, 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	25,000	\$ 0.75	0
3) Director	1-05-01	25,000	\$ 0.75	0
4) Employee	10-24-01	50,000	\$ 0.30	0
5) Employee	12-1-01	24,230	\$ 0.15	0
6) Board Members	12-10-01	1,000,000	\$ 0.30	0
7) Board Members	6-03-02	1,000,000	\$ 0.16	0
8) Employees	7-01-02	335,000	\$ 0.16	0
9) Employee	7-15-02	15,000	\$ 0.16	0
10) Employee	8-15-02	5,000	\$ 0.16	0
11) Board Members	10-21-02	499,998	\$ 0.09	0
12) Board Members	5-15-03	892,855	\$ 0.07	0
13) Employee	5-20-03	100,000	\$ 0.07	0
14) Director	7-25-03	25,000	\$ 0.10	0
15) Employee	9-05-03	150,000	\$ 0.07	0
		-----		
		4,347,083		

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PCS EDVENTURES!.COM, INC.  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 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) Employees	\$ 0.52	6.21%	3	84.39%
4) Employees	\$ 0.19	3.76%	3	100.52%
5) Employee	\$ 0.14	3.76%	3	99.80%
6) Board Members	\$ 0.20	3.76%	10	99.80%
7) Board Members	\$ 0.15	5.69%	10	128.90%
8) Employee	\$ 0.14	5.48%	3.5	157.77%
9) Employee	\$ 0.14	2.84%	3.5	152.96%
10) Employee	\$ 0.14	2.84%	3.3	163.77%
11) Board Members	\$ 0.09	2.84%	10	158.83%
12) Board Members	\$ 0.09	3.94%	10	151.61%
13) Employee	\$ 0.06	3.94%	4	151.61%
14) Employee	\$ 0.12	2.81%	4	156.24%
15) Employee	\$ 0.11	2.81%	4	152.03%

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 September 3, 2002. The options were determined to have a fair value of \$0.15 per share using the Black-Scholes valuation model.

On May 14, 2002, the Company 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.

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.

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

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

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### a. Stock Options (Continued)

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, 2003, 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.

On July 15, 2003, the Company authorized and issued 200,000 and 50,000 options to a director and an employee, respectively, as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of \$0.10 per share. The options were initially determined to have an intrinsic value of \$0.02 per share and a fair value of \$0.11 per share using the Black-Scholes valuation model. As such, the Company recognized \$5,000 of current period expense and recorded a \$26,949 decrease in pro-forma net income. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As the intrinsic value of the options remained unchanged as of the date of revaluation, there was no change to the recorded expense related to the options. The Black-Scholes value of the shares decreased by \$264, and as such, the pro-forma effect of the options was reduced to \$26,685. These options were cancelled by the Company during December 2003.

On July 25, 2003, the Company authorized and issued 25,000 options to an employee as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of \$0.10 per share. The options were initially determined to have an intrinsic value of \$0.03 per share and a fair value of \$0.12 per share using the Black-Scholes valuation model. As such, the Company recognized \$750 of current period expense and recorded a \$2,933 decrease in pro-forma net income. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As a result of the revaluation, there was a \$250 decrease in the intrinsic value of the options and a corresponding decrease in the recorded expense. The Black-Scholes value of the shares decreased by \$264, and as such, the pro-forma effect of the options was reduced to \$2,669. These options were cancelled by the Company during December 2003.

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PCS EDVENTURES!.COM, INC.  
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Notes to the Consolidated Financial Statements  
December 31, 2003 and March 31, 2002

### NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

### a. Stock Options (Continued)

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On July 25, 2003, the Company authorized and issued 25,000 options to an employee. These options vest over three years and have an exercise price of \$0.10 per share. The options were initially determined to have an intrinsic value of \$0.03 per share and a fair value of \$0.12 per share using the Black-Scholes valuation model. As such, the Company recognized \$750 of current period expense and recorded a \$2,933 decrease in pro-forma net income.

On September 1, 2003, the Company authorized and issued 50,000 options to an employee as repriced options replacing previously issued options cancelled immediately prior to the new issuance. These options vest over three years and have an exercise price of \$0.12 per share. The options were initially determined to have an intrinsic value of \$0.005 per share and a fair value of \$0.11 per share using the Black-Scholes valuation model. As such, the Company recognized \$250 of current period expense and recorded a \$5,269 decrease in pro-forma net income. Based on the provisions of FIN 44: Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion 25: Accounting for Stock Issued to Employees, these options are to be accounted for as variable options and as such, were revalued as of September 30, 2003. As the intrinsic value of the options remained unchanged as of the date of revaluation, there was no change to the recorded expense related to the options. The Black-Scholes value of the shares increased by \$3, and as such, the pro-forma effect of the options was increased to \$5,272. These options were cancelled by the Company during December 2003.

On September 5, 2003, the Company authorized and issued 150,000 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 an intrinsic value of \$0.05 per share and a fair value of \$0.11 per share using the Black-Scholes valuation model. As such, the Company recognized \$7,500 of current period expense and recorded a \$16,356 decrease in pro-forma net income.

### 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.

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PCS EDVENTURES!.COM, INC.  
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Notes to the Consolidated Financial Statements  
December 31, 2003 and March 31, 2002

### NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

#### b. Warrants (Continued)

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.

During the nine months ended September 30, 2003, an additional 34,050 of the private placement warrants were exercised in exchange for \$340 in cash.

### NOTE 4 - SIGNIFICANT EVENTS

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### Common Stock

On September 4, 2003, the Company amended its articles of incorporation to decrease the authorized number of common shares for 50,000,000 to 40,000,000.

### Preferred Stock

On September 4, 2003, the Company amended its articles of incorporation to establish a preferred class of stock. Under the amendment, 10,000,000 shares of the preferred stock have been authorized. The preferred shares are convertible into shares of common stock at a 20% discount and have a \$0.25 cap on the conversion price. The Company has reserved the option to convert the shares into common stock at any point that the average trading price of the Company's common stock for the previous 30 days exceeds to \$0.50. The Company recognized a beneficial conversion feature of \$2,500.

The convertible preferred shares also include a cumulative 10% per annum non-cash dividend.

### NOTE 5 - SUBSEQUENT EVENTS

On January 19, 2004, the Company issued 200,000 shares of common stock to a private investor in exchange for \$24,000 in cash.

On January 20, 2004, the Company issued 680,000 shares of common stock, valued at current trading price of the Company's stock as of the date of authorization, of \$0.12 per share, in exchange for marketing services to be provided over a twelve-month period.

On January 20, 2004, the Company issued 103,207 shares of common stock to the Company's president and CEO as payment of accrued interest totaling \$12,385. The shares were valued at current trading price of the Company's stock as of the date of authorization, or \$0.12 per share.

On January 20, 2004, the Company issued 106,384 shares of common stock to the Company's legal counsel as payment on accrued legal fees of \$12,766. The shares were valued at current trading price of the Company's stock as of the date of authorization, or \$0.12 per share.

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

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#### Results of Operations.

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Three months ended December 31, 2003, compared to three months ended December 31, 2002.

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Revenues for the three month period ended December 31, 2003, decreased to \$190,857 as compared to \$225,277 for the three month period ended December 31, 2002. Revenues decreased due to a decrease in our lab sales which was offset by a slight increase in license revenues as well as subscription revenues.

General and administrative costs have decreased to \$153,445 for the three month period ended December 31, 2003, as compared to \$203,954 for the three month period ended December 31, 2002. The decrease is primarily due to a decrease in spending for public relations and marketing.

Interest expense for the three month period ended December 31, 2003,

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decreased to \$31,941 as compared to \$32,404 for the three month period ended December 31, 2002.

We had a net loss of (\$201,031) for the three months ended December 31, 2003, as compared to a net loss of \$(229,333) for the quarterly period ended December 31, 2002.

Nine months ended December 31, 2003, compared to nine months ended December 31, 2002.

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Revenues for the nine month period ended December 31, 2003, decreased to \$1,381,114 as compared to \$1,592,214 for the nine month period ended December 31, 2002. This decrease in revenues is primarily due to an overall decrease in lab sales as compared to last fiscal year.

General and administrative costs have decreased to \$508,746 for the nine month period ended December 31, 2003, as compared to \$739,893 for the nine month period ended December 31, 2002. The decrease is due to a decrease in spending for public relations and marketing.

Interest expense for the nine month period ended December 31, 2003, decreased to \$103,812 as compared to \$167,738 for the nine month period ended December 31, 2002.

We had a net loss of (\$55,434) for the nine months ended December 31, 2003, as compared to a net loss of \$(330,955) for the nine months ended December 31, 2002.

Liquidity and Capital Resources.

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We had a cash balance of \$57,440 at December 31, 2003. 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.

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### (a) Evaluation of Disclosure Controls and Procedures

PCS' Chief Executive Officer and Chief Financial Officer have evaluated our Company's disclosure controls and procedures as of December 31, 2004, the end of the reporting period covered by this report, 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 February 4, 2004.

## PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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Warren Black v. PCS.

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On January 18, 2002, Warren Black, a former independent contractor for our Company, filed a complaint against us alleging breach of contract. Mr.

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Black seeks the return of certain software products that he claimed to have provided us during his employment, or their monetary equivalent, which he claims to be \$15,000. We settled this action in February 2003. Per the terms of the settlement agreement, we agreed to issue Mr. Black a \$6,000 note in full satisfaction of his claim. The note is payable in quarterly installments of \$1,500 and accrues interest at 8.0% per annum. We have paid this note in full as of February 3, 2004.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities.

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Sales of Unregistered Securities During the Last Quarter.  
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Description	Common Shares	Amount	Preferred Shares	Amount
-----	-----	-----	-----	-----
Samuel R. Trozzo	200,000	\$20,000	-	-
Richard E. Bean	250,000	\$25,000	-	-
Frank W. Klescewski	400,000	\$40,000	-	-

These shares were issued for cash at \$0.10 per share.

Item 3. Defaults Upon Senior Securities.

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None; not applicable.

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

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None; not applicable.

Item 5. Other Information.

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None; not applicable.

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

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(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: 2/4/04  
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By:/s/Anthony A. Maher  
-----

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

Date: 2/4/04  
-----

By:/s/Christina M. Vaughn  
-----

Christina M. Vaughn  
Chief Financial Officer

Date: 2/4/04  
-----

By:/s/Roy M. Svee  
-----

Roy M. Svee  
Treasurer and Director