

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

PCS EDVENTURES COM INC
Form 10QSB
November 12, 2002

U. S. 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 September 30, 2002

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

For the transition period from _____ to _____

Commission File No. 333-53458

PCS EDVENTURES!.COM, INC.

(Name of Small Business Issuer in its Charter)

IDAHO

(State or Other Jurisdiction of
incorporation or organization)

82-0475383

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

1655 Fairview Avenue, Suite #100
Boise, Idaho 83702

(Address of Principal Executive Offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

(1) Yes X No --- (2) Yes X No ---

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

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

of common stock, as of the latest practicable date:

15,476,676

September 30, 2002

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

September 30, 2002 and March 31, 2002

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

Consolidated Balance Sheets

ASSETS

	September 30, 2002 (Unaudited)	March 31, 2002
CURRENT ASSETS		
Cash	\$ 30,140	\$ 1,046
Accounts receivable	272,386	355,004
Inventory	794	-
Prepaid expenses	403	-
Debt offering costs, net	31,404	11,621
	-----	-----
Total Current Assets	335,127	367,671
	-----	-----
FIXED ASSETS (NET)	54,263	83,079
	-----	-----
OTHER ASSETS		
Deposits	23,347	7,000
	-----	-----
Total Other Assets	23,347	7,000
	-----	-----
TOTAL ASSETS	\$ 412,737	\$ 457,750
	=====	=====

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

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	September 30, 2002 (Unaudited)	March 31, 2002
CURRENT LIABILITIES		
Bank overdraft	\$ -	\$ 15,272
Accounts payable	160,383	274,350
Wages payable	21,218	22,211
Payroll taxes payable	203,069	120,572
Accrued interest	65,202	43,383
Accrued directors fees	67,500	-
Accrued expenses	155,613	157,432
Unearned revenue	293,491	397,015
Notes payable - related parties	165,882	158,882
Notes payable	658,800	776,271
	-----	-----
Total Current Liabilities	1,791,158	1,965,388
	-----	-----
Total Liabilities	1,791,158	1,965,388
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value, authorized 50,000,000 shares; 15,473,866 and 13,261,522 shares issued and outstanding, respectively	21,829,287	21,596,003
Deferred Consulting Fees	(29,789)	(27,344)
Accumulated deficit	(23,177,919)	(23,076,297)
	-----	-----
Total Stockholders' Equity (Deficit)	(1,378,421)	(1,507,638)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 412,737	\$ 457,750
	=====	=====

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

3

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

	For the Three Months Ended September 30, 2002		For the Six Months Ended September 30, 2002	
	2001	2002	2001	2002
REVENUE	\$ 127,728	\$ 304,301	\$ 186,253	\$ 1,366,937
COST OF GOODS SOLD	56,306	157,375	84,863	518,524
	-----	-----	-----	-----

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

GROSS PROFIT	146,926	71,422	848,413	101,390
	-----	-----	-----	-----
OPERATING EXPENSES				
Depreciation expense	8,108	23,929	28,816	42,379
General and administrative	432,535	447,998	803,847	950,648
	-----	-----	-----	-----
Total Operating Expenses	440,643	471,927	832,663	993,027
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(293,717)	(400,505)	15,750	(891,637)
	-----	-----	-----	-----
OTHER INCOME AND (EXPENSE)				
Interest expense	(55,615)	(17,918)	(135,334)	(33,752)
Interest income	54	15	54	30
	-----	-----	-----	-----
Total Other Income and (Expense)	(55,561)	(17,903)	(135,280)	(33,722)
	-----	-----	-----	-----
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(349,278)	(418,408)	(119,530)	(925,359)
	-----	-----	-----	-----
Gain on settlement of debt	17,908	-	17,908	-
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (331,370)	\$ (418,408)	\$ (101,622)	\$ (925,359)
	=====	=====	=====	=====
BASIC INCOME (LOSS) PER SHARE				
Income (loss) before extraordinary item	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.07)
Extraordinary item	0.00	-	0.00	-
	-----	-----	-----	-----
	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.07)
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	15,170,533	12,522,835	14,836,665	12,495,530
	=====	=====	=====	=====

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

4

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				

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

at \$0.75 per share	67,025	50,269	-	-
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.

F-5

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

Common Shares	Deferred Consulting	Accumulated
---------------	---------------------	-------------

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

	Shares	Amount	Fees	Deficit
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				

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

prepaid servies at \$0.17 Per share (unaudited)	203,000	34,510	(34,510)	-
Common stock issued for services at \$0.17 per share (unaudited)	101,500	17,255	-	-
Common stock issued for conversion of accounts payable at \$0.07 per share (unaudited)	181,289	11,888	-	-
Common stock issued for conversion of warrants at \$0.01 per share (unaudited)	24,155	242	-	-
Amortization of deferred consulting expense (unaudited)	-	-	66,565	-
Net loss for the six months ended September 30, 2002 (unaudited)				(101,622)
Balance, September 30, 2002 (unaudited)	15,473,866	\$21,829,287	\$ (29,789)	\$(23,177,919)

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

6

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

For the
Six Months Ended
September 30,
2002 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (101,622)	\$ (925,359)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	28,816	42,379
Common stock issued for services	56,908	(2,350)
Expenses prepaid with common stock	-	1,250
Common stock issued for debt extensions	41,353	-
Amortization of debt discount	24,654	-
Amortization of debt offering costs	32,250	-
Amortization of deferred consulting costs	66,565	80,420
Gain on extinguishment of debt	(17,908)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	82,618	(154,217)
(Increase) decrease in prepaid expenses	(403)	(2,803)
(Increase) decrease in inventory	(794)	-
(Increase) in deposits	(16,347)	-
Increase (decrease) in accounts payable and accrued liabilities	113,395	144,374

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Increase (decrease) in interest payable	21,819	10,494
Increase (decrease) in commitments and contingencies	-	(1,938)
Increase (decrease) in unearned revenue	(103,524)	225,778
	-----	-----
Net Cash Provided (Used) by Operating Activities	227,780	(581,972)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(1,030)
	-----	-----
Net Cash (Used) by Investing Activities	-	(1,030)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	(44,722)	51,479
Proceeds from related parties	27,000	50,000
Payments to related parties	(20,000)	(60,000)
Payments on notes payable	(215,000)	(64,786)
Payments on short term financing	(234,990)	-
Proceeds from notes payable	105,624	603,549
Proceeds from short term financing	234,990	-
Debt extension costs	(52,033)	-
Proceeds from common stock	445	670
	-----	-----
Net Cash Provided (Used) by Financing Activities	(198,686)	580,912
	-----	-----
INCREASE (DECREASE) IN CASH	29,094	(2,090)
CASH AT BEGINNING OF PERIOD	1,046	4,654
	-----	-----
CASH AT END OF PERIOD	\$ 30,140	\$ 2,564
	=====	=====

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

7

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

For the
Six Months Ended
September 30,
2002 2001

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Issuance of stock for payment on notes payable and interest	\$ 27,541	\$ 25,000
Common stock issued for services	\$ 56,908	\$ 4,500
Common stock issued for payment on accounts Payable	\$ 38,027	\$ -
Common stock issued for debt extensions	\$ 41,353	\$ -
Revaluation of stock options issued for prepaid services	\$ -	\$ (6,850)

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Cash Paid For:

Interest	\$	52,327	\$	27,098
Income taxes	\$	-	\$	-

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

8

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
September 30, 2002 and March 31, 2002

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 generally accepted accounting principles 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, 2002 Annual Report on Form 10-KSB. Operating results for the six months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending March 31, 2003.

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 four additional educational labs, which they believe will 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 the plan described in the preceding paragraph and 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

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

The Company applied Accounting Principles Board ("APB") Option 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for all stock option plans. Under APB Option 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.

9

PCS EDVENTURES!.COM, INC.
Notes to the Consolidated Financial Statements
September 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

FASB Statement 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), requires the Company to provide pro forma 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 September 30,		For the Six Months Ended September 30,	
	2002	2001	2002	2001
Net loss:				
As reported	\$(331,370)	\$(418,408)	\$(101,622)	\$(925,359)
Pro Forma	(486,352)	(418,408)	(256,604)	(925,539)
Net loss per share:				
As reported	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.07)
Pro Forma	(0.03)	(0.03)	(0.02)	(0.07)

During the initial phase-in period of SFAS No. 123, the effect of pro forma results are not likely to be representative of the effects on pro forma results in future years since options vest over several years and additional options could be granted each year.

The Company has granted the following options as of September 30, 2002:

Description	Date of Grant	Exercise Number	Exercise Price	Amount Exercised	Amount Vested
1) Employee	2-05-00	50,000	\$ 0.75	0	50,000
2) Officers/directors	4-20-00	600,000	\$ 0.75	0	600,000
3) Employee	6-01-00	45,000	\$ 0.75	0	45,000
4) Consultant	9-20-00	200,000	\$ 0.50	0	200,000
5) Employees	9-01-00	200,000	\$ 0.75	0	200,000
6) Director	10-01-00	200,000	\$ 0.75	0	200,000
7) Employee	1-05-01	25,000	\$ 0.75	0	25,000
8) Employee	6-15-01	25,000	\$ 0.75	0	25,000
9) Employee	10-24-01	50,000	\$ 0.30	0	50,000
10) Employee	12-1-01	24,230	\$ 0.15	0	24,230
11) Board Members	12-10-01	1,000,000	\$ 0.30	0	1,000,000
12) Board Members	6-03-02	1,000,000	\$ 0.16	0	1,000,000
13) Employees	7-01-02	335,000	\$ 0.16	0	0

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

14) Employees	7-15-02	15,000	\$ 0.16	0	0
15) Employees	8-15-02	5,000	\$ 0.16	0	0
		3,774,230			3,419,230

10

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
September 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

Description	Fair Value	Risk-Free Interest Rate	Expected Life	Expected Volatility
-----	-----	-----	-----	-----
1) Employee	\$ 0.46	6.05%	3	92.82%
2) Officers/directors	\$ 0.46	6.15%	3	91.32%
3) Employee	\$ 0.46	6.15%	3	92.82%
4) Consultant	\$ 0.42	6.15%	3	89.37%
5) Employees	\$ 0.52	6.21%	3	85.69%
6) Director	\$ 0.52	6.21%	3	84.39%
7) Employee	\$ 0.52	6.21%	3	84.39%
8) Employee	\$ 0.39	3.76%	3	76.69%
9) Employee	\$ 0.19	3.76%	3	100.52%
10) Employee	\$ 0.14	3.76%	3	99.80%
11) Board Members	\$ 0.20	5.69%	10	99.80%
12) Board Members	\$ 0.15	5.48%	10	128.91%
13) Employees	\$ 0.12	2.84%	2	157.77%
14) Employees	\$ 0.12	2.84%	2	152.96%
15) Employees	\$ 0.13	2.84%	2	163.78%

On April 20, 2000, the Company granted 600,000 options with a 3-year life to officers and directors out of the 800,000 authorized on January 19, 2000. On October 1, 2000, the Company granted the remaining 150,000 3-year life options authorized to a director. All of the option exercise prices are \$0.75 per share with a fair value determined by Black Scholes of \$0.46 and \$0.52, respectively.

On April 20, 2000, the Company authorized the granting of 400,000 options to employees and directors. On June 1, 2000, the Company granted 45,000 options to an employee. On September 1, 2000, the Company granted 200,000 options to four employees. On October 1, 2000, the Company granted 50,000 options to a director. On January 5, 2001, the Company granted 25,000 options to an employee. On March 31, 2001, the Company had not granted 80,000 options. Each option granted has an exercise price of \$0.75 per option and a 3-year life with a fair value determined by Black Scholes of \$0.46, \$0.52, \$0.52 and \$0.52, respectively.

On September 22, 2000, the Company authorized the granting of 250,000 options to employees and directors of the Company with exercise prices of \$0.75 and a 3-year life. None of these options have been granted.

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 3-year life with a fair value determined by Black Scholes of \$0.39.

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

On December 1, 2001, the Company granted employees 24,230 3-year life options. 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.

11

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
September 30, 2002 and March 31, 2002

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

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 3-year life options to an employee. On December 10, 2001, the Company granted 1,000,000 10-year life options 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 June 3, 2002, the Company's Board of Directors granted options to purchase 1,000,000 shares of common stock to members of the Board of Directors. Each option granted has an exercise price of \$0.16, a 3-year life and a Black Scholes fair value of \$0.15.

On July 1, 2002, the Company granted employees 335,000 options. The options have an exercise price of \$0.16 per share and 93,000 vest on June 15, 2003, 120,500 on June 15, 2004 and 121,500 on June 15, 2005. These options expire on December 31, 2005. The Black Scholes fair value of these options is \$0.12 per share.

On July 15, 2002, the Company granted an employee 15,000 options. The options have an exercise price of \$0.16 per share and 5,000 vest in July 15, 2003, 5,000 on July 15, 2004 and 5,000 on July 15, 2005. These options expire on December 31, 2005. The Black Scholes fair value of these options is \$0.12 per share.

On August 15, 2002, the Company granted an employee 5,000 options. The options have an exercise price of \$0.16 per share and 1,000 vest on August 15, 2003, 2,000 on August 15, 2004 and 2,000 on August 15, 2005. These options expire on December 31, 2005. The Black Scholes fair value of these options is \$0.13 per share.

b. Warrants

On April 27, 2000, three individuals were granted a total of 56,750 warrants which were converted into 31,750 shares of common stock. The conversion rate was \$0.675 per share and as such, no compensation expense was recorded because the grant price exceeded the market value.

On September 15, 2000, the Company granted warrants allowing the holders to purchase 342,831 shares of the Company's common stock. The warrants are exercisable at a price of \$0.01 per share for two years. On September 15, 2000, 203,161 warrants were converted into shares of common stock. The fair value of the warrants was \$150,339 and was recorded as a stock offering cost, because the warrants were

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

issued to individuals who raised funds for the Company.

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. At September 30, 2002, 44,463 warrants were exercised for \$445.

12

PCS EDVENTURES!.COM, INC.
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
September 30, 2002 and March 31, 2002

NOTE 4 - MATERIAL EVENTS

Sales

On May 31, 2002, the Company completed the sale of twenty Academy of Engineering Labs to a Michigan school district. The revenues recognized related to this single transaction were \$395,980, or 37% of the Company's reported revenues for the six months ended September 30, 2002.

On June 17, 2002, the Company completed the sale of seven Academy of Engineering Labs to a Georgia school district. The revenues recognized related to this single transaction were \$137,145, or 13% of the Company's reported revenues for the six months ended September 30, 2002.

Extension of Debts

During the six months ended September 30, 2002, the Company entered into one year debt extension agreements with nearly all of the individual owners of the 2001 debt offering units. The Company successfully extended \$527,500 of the total \$602,500 outstanding related to the debt offering. The terms of the agreements require the Company to issue 500 shares of common stock and pay a 2% cash extension fee for each \$1,000 of debt extended. During the six months ended September 30, 2002, the Company capitalized \$52,033 of costs related to the extension and is amortizing those costs over the life of the extension, or one year.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Commitments

On July 24, 2002, the Company entered into a consulting agreement with a marketing firm to increase the profile of the Company and its stock. Compensation for the services will be based upon the amount of capital raised through sales of common stock.

On July 24, 2002, the Company signed a letter of intent with an investment banking firm, whereby the investment banking firm would use its best efforts to obtain commitments for various financing of up to \$10,000,000. Total compensation for these services will be based on the amount of financing obtained. The Company will be required to pay a \$25,000 retainer upon execution of the final agreement in the form of \$12,500 and 78,125 shares of common stock

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

valued at \$0.16 per share, or \$12,500.

Contingencies

On July 11, 2002, the Company settled its dispute with Key Bank for \$20,000. The Company had previously recorded a liability for \$25,208 plus interest of \$3,809. The difference, of \$9,017, was recognized as a gain on extinguishment of debt.

13

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

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

NOTE 6- SUBSEQUENT EVENTS

Stock Issuances

Subsequent to September 30, 2002, warrant holders have exercised warrants to purchase 2,810 shares of the Company's common stock in exchange for \$28.

Commitments

During November 2002, the Company entered into a 5 year operating lease for office space in Boise, Idaho. The Lease commences December 1, 2002 and calls for a security deposit in the amount of \$5,750 and monthly rent payments of \$5,750, subject to yearly increases based on operating costs.

14

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

Plan of Operation.

For the near-term, we have two objectives, which center around corporate awareness and marketing our product lines. First, we are working with several public relations firms to increase corporate, brand and product awareness on a more national level. Our second objective involves the continued marketing of our product lines. In addition to the launch of our Brick Lab, Discover!Lab and our Academy of Engineering Jr. Lab last year, we have also introduced our Academy of Robotics and our Young Learner Lab. All have been met with favorable results in the marketplace. As it is our desire to remain on the leading edge of project-based learning within the education marketplace, we will continue to commit resources to product development and improvement over the next year.

The notes to our financial statements for the quarterly period ended September 30, 2002, indicate that there is substantial doubt about our ability to continue as a "going concern," due to our lack of significant cash or other material assets, our lack of an established source of revenue sufficient to cover our operating costs and our accumulated losses, negative working capital and deficit in stockholders' equity. Accordingly, the future outlook of our Company, under present circumstances, is not assured.

Results of Operations.

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Three months ended September 30, 2002, compared to three months ended September 30, 2001.

Revenues for the three month period ended September 30, 2002, increased to \$304,301 as compared to \$127,728 for the three month period ended September 30, 2001. Revenues increased due to increased lab sales over the same period last year.

General and administrative costs have decreased to \$432,535 for the three month period ended September 30, 2002, as compared to \$447,998 for the three month period ended September 30, 2001. The decrease is primarily due to certain cost cutting measures including the elimination of ineffective advertising and marketing and a reduction in personnel.

Interest expense for the three month period ended September 30, 2002, increased to \$55,615 as compared to \$17,918 for the three month period ended September 30, 2001.

We had a net loss of \$(331,370) for the three months ended September 30, 2002, as compared to a net loss of \$(418,408) for the quarterly period ended September 30, 2001.

Six months ended September 30, 2002, compared to six months ended September 30, 2001.

Revenues for the six month period ended September 30, 2002, increased to \$1,366,937 as compared to \$186,253 for the six month period ended September 30, 2001. Revenues increased due to increased lab sales over the same period last year.

General and administrative costs have decreased to \$803,847 for the six month period ended September 30, 2002, as compared to \$950,648 for the six month period ended September 30, 2001. The decrease is primarily due to certain cost cutting measures including the elimination of ineffective advertising and marketing and a reduction in personnel.

Interest expense for the six month period ended September 30, 2002, increased to \$135,334 as compared to \$33,752 for the six month period ended September 30, 2001.

We had a net loss of \$(101,622) for the six months ended September 30, 2002, as compared to a net loss of \$(925,359) for the six months ended September 30, 2001.

Liquidity and Capital Resources.

We had cash of \$30,140, at September 30, 2002. Management believes that our current cash on hand at September 30, 2002, combined with the cash received from delivered sales orders, 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 November 11, 2002, and

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

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 November 11, 2002.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On July 11, 2002, we settled our dispute with Key Bank for \$20,000 and recognized the additional principal and accrued interest in the amount of \$9,017 as gain on extinguishment of debt.

Item 2. Changes in Securities and Use of Proceeds.

Sales of Unregistered Securities During the Last Quarter.

Date	Description	Shares	Amount
----	-----	-----	-----
7/24	Common stock issued for services at \$0.16 per share	78,125	\$12,500.00
7/29	Common stock issued for conversion of warrants at \$0.01 per share	13,055	130.55
8/05	Common stock issued for conversion of warrants at \$0.01 per share	6,000	60.00
8/12	Common stock issued for conversion of warrants at \$0.01 per share	3,000	30.00
8/13	Common stock issued for prepaid services at \$0.17 per share	203,000	34,510.00
8/13	Common stock issued for services at \$0.17 per share	101,500	17,255.00
8/26	Common stock issued for conversion of warrants at \$0.01 per share	1,500	15.00
9/03	Common stock issued for conversion of accounts payable at \$0.07	181,289	11,888.30
9/06	Common stock issued for conversion of warrants at \$0.01 per share	600	6.00
	Total shares issued	588,069	

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

None; not applicable.

Item 5. Other Information.

None; not applicable.

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

(a) Exhibits.

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 undersigned thereunto duly authorized.

PCS EDVENTURES.COM, INC.

Date: 11/11/02

By:/s/Anthony A. Maher

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

Date: 11/11/02

By:/s/Christina M. Vaughn

Christina M. Vaughn
Chief Financial Officer

Date: 11/11/02

By:/s/Roy M. Svee

Roy M. Svee
Treasurer and Director

Date: 11/11/02

By:/s/Donald J. Farley

Donald J. Farley
Secretary and Director

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony A. Maher, Chief Executive Officer of PCS Edventures!.com, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of PCS Edventures!.com, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
- b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and
- c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's Board of Directors (or persons performing the equivalent function);

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 11, 2002

Signature: /s/Anthony A. Maher
Anthony A. Maher
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christina M. Vaughn, Chief Financial Officer of PCS Edventures!.com, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of PCS

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

Edventures!.com, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
- b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and
- c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's Board of Directors (or persons performing the equivalent function);

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 11, 2002

Signature: /s/Christina M. Vaughn
Christina M. Vaughn
Chief Financial Officer