

Edgar Filing: PCS EDVENTURES COM INC - Form 10QSB

PCS EDVENTURES COM INC  
Form 10QSB  
November 14, 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 September 30, 2005

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  
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(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 Registrant (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 Registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days. Yes   
No

Indicate by check mark whether the registrant is a shell company (as defined  
in Rule 12b-2 of the Exchange Act). 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:

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28,793,537

October 5, 2005

Transitional Small Business Disclosure Format (Check One): Yes  X 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

September 30, 2005 and March 31, 2005

PCS EDVENTURES!.COM, INC.

AND SUBSIDIARY

Consolidated Balance Sheets

ASSETS

	September 30, 2005	March 31, 2005
	----- (Unaudited)	-----
CURRENT ASSETS		
Cash	\$ 130,047	\$ 16,752
Accounts receivable	583,936	130,569
Inventory	87,416	8,304
Deferred costs	4,995	110,367
Prepaid expenses	6,062	14,826
Other assets	1,250	-
	-----	-----
Total Current Assets	813,706	280,818
	-----	-----
FIXED ASSETS (NET)	13,834	11,917
	-----	-----
OTHER ASSETS		
Deposits	6,225	6,225
	-----	-----
Total Other Assets	6,225	6,225
	-----	-----
TOTAL ASSETS	\$ 833,765	\$ 298,960
	=====	=====

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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)

	September 30, 2005	March 31, 2005
	-----	-----
	(Unaudited)	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 422,455	\$ 183,068
Accrued compensation	56,293	40,537
Payroll taxes payable	48,769	87,669
Accrued interest	60,344	75,044
Accrued expenses	69,735	59,079
Unearned revenue	347,310	269,571
Notes payable - related parties	116,690	117,054
Notes payable	114,952	205,465
	-----	-----
Total Current Liabilities	1,236,548	1,037,487
	-----	-----
Total Liabilities	1,236,548	1,037,487
	-----	-----
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, no par value, authorized 10,000,000 shares, 15,246 shares issued and outstanding	56,372	56,372
Common stock, no par value, authorized 50,000,000 shares; 28,793,537 and 27,355,451 shares issued and outstanding, respectively	24,199,911	23,868,669
Variable deferred consulting fees	-	(1,000)
Accumulated deficit	(24,659,066)	(24,662,568)
	-----	-----
Total Stockholders' Equity (Deficit)	(402,783)	(738,527)
	-----	-----
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 833,765</b>	<b>\$ 298,960</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 September 30,		For the Six Months Ended September 30,	
-----	-----	-----	-----
2005	2004	2005	2004

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REVENUE				
Lab Revenue	\$ 762,852	\$ 227,983	\$ 1,652,374	\$ 623,712
License Revenue	47,350	41,114	91,482	87,075
Subscription Revenue	1,235	4,042	2,553	7,050
Total Revenues	811,437	273,139	1,746,409	717,837
COST OF GOODS SOLD/ COST OF SALES	477,080	115,154	859,291	262,626
GROSS PROFIT	334,357	157,985	887,118	455,211
OPERATING EXPENSES				
Salaries and wages	150,323	123,307	257,091	240,166
Depreciation expense	1,191	92	2,381	92
Common stock and stock options issued for consulting expense	88,133	138,042	90,115	481,733
General and administrative	222,131	152,385	513,916	373,858
Total Operating Expenses	461,778	413,826	863,503	1,095,849
OPERATING INCOME (LOSS)	(127,421)	(255,841)	23,615	(640,638)
OTHER INCOME AND EXPENSES				
Gain on settlement of debt	-	-	-	43,990
Interest income	18	24	23	973
Interest expense	(11,089)	(10,012)	(34,867)	(40,450)
Other income	676	5,276	17,131	12,569
Other expense	(2,400)	(528)	(2,400)	(1,995)
Total Other Income and (Expenses)	(12,795)	(5,240)	(20,113)	15,087
INCOME (LOSS) BEFORE INCOME TAXES	(140,216)	(261,081)	3,502	(625,551)
INCOME TAX EXPENSE	-	-	-	-
NET INCOME (LOSS)	\$ (140,216)	\$ (261,081)	\$ 3,502	\$ (625,551)

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

(Continued)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2005	2004	2005	2004
BASIC INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.01)	\$ 0.00	\$ (0.02)

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DILUTED INCOME (LOSS) PER SHARE					\$ 0.00
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING	26,874,521	25,688,359	26,854,923	25,386,545	
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING					30,275,536

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, 2004	24,230,874	\$ 23,023,323	82,850	\$120,473
Common stock issued for services at \$0.17 per share	30,000	5,100	-	-
Stock offering costs	-	(5,100)	-	-
Common stock issued for services at \$0.17 per share	240,000	40,800	-	-
Stock offering costs	-	(40,800)	-	-
Options issued to employees below market value	-	3,000	-	-
Options issued to consultants below market value	-	507,877	-	-
Common stock issued for conversion of debt and interest at \$0.20 per share	376,165	75,232	-	-
Common stock issued for cash at \$0.10 per share for option exercise	750,000	75,000	-	-
Intrinsic value of employee options issued below market value	-	5,000	-	-
Common stock issued for related party note payable reduction at \$0.07 per share	250,000	17,500	-	-
Fair value of options issued to consultant	-	696	-	-

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Common stock issued for conversion of preferred stock at \$0.20 per share	338,020	67,603	(67,604)	(67,603)
Options issued to directors for accrued director fees	-	9,241	-	-
Balance forward	26,215,059	\$23,784,472	15,246	\$ 52,870

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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	26,215,059	\$23,784,472	15,246	\$ 52,870
Contributed capital for accrued director fee	-	50,759	-	-
Pro-rata cumulative non-cash preferred stock dividend	-	-	-	3,502
Amortization of prepaid expense	-	-	-	-
Amortization and revaluation of consulting expense	-	(92,102)	-	-
Stock issued for marketing services at \$0.09 per share 250,000		22,500	-	-
Stock issued for legal services at \$0.09 per share 500,000		45,000	-	-
Stock issued for accounts payable at \$0.15 per share 45,833		6,875	-	-
Stock issued for note payable to related party at \$0.06 per share 344,559		20,674	-	-
Amortization of prepaid expense	-	-	-	-
Fair value of options issued to consultant	-	491	-	-
Options issued to directors for accrued director fees	-	28,416	-	-
Contributed capital for accrued director fees	-	1,584	-	-

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Net loss, March 31, 2005	-	-	-	-
Balance, March 31, 2005	27,355,451	\$ 23,868,669	15,246	\$ 56,372

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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, March 31, 2005	27,355,451	\$ 23,868,669	15,246	\$ 56,372
Options issued to directors for accrued director fees (unaudited)	-	15,000	-	-
Treasury stock issued for legal services (unaudited)	-	21,250	-	-
Stock issued for the exercise of options for \$0.16 per share (unaudited)	15,000	2,400	-	-
Stock issued for cash for \$0.20 per share (unaudited)	35,000	7,000	-	-
Stock issued for public relations services for \$0.095/share (unaudited)	90,972	8,649	-	-
Stock issued for the exercise of options for \$0.13 per share (unaudited)	205,211	26,645	-	-
Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	654,706	112,485	-	-
Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	12,815	2,178	-	-
Stock issued for cash for \$0.17 per share (unaudited)	33,430	5,683	-	-
Amortization and revaluation of consulting expense (unaudited)	-	(7,667)	-	-
Options issued to employees below market value (unaudited)	-	2,825	-	-
Stock issued for services at \$0.705 per share (unaudited)	20,000	14,100	-	-

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Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	60,900	10,353	-	-
Stock issued for the exercise of options for \$0.15 per share (unaudited)	5,000	750	-	-
Stock issued for marketing services @ \$0.12 per share (unaudited)	25,208	3,025	-	-
Stock issued for marketing services below market value (unaudited)	-	1,008	-	-
Stock issued for the exercise of options for \$0.10 per share (unaudited)	4,500	450	-	-
Stock issued for the exercise of options for \$0.31 per share (unaudited)	344	107	-	-
Options issued to employee below market value (unaudited)	-	7,000	-	-
Stock issued for services at \$0.70 per share (unaudited)	100,000	70,000	-	-
Stock issued for the reduction of interest and principal for a note payable for a related party (unaudited)	100,000	16,000	-	-
Stock issued for the exercise of options for \$0.16 per share (unaudited)	75,000	12,000	-	-
Net income, September 30, 2005 (unaudited)	-	-	-	-
Balance, September 30, 2005 (unaudited)	28,793,537	\$24,199,910	15,246	\$ 56,372

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[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	\$ (67,292)	\$ -	\$ (23,720,434)
Common stock issued for			

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services at \$0.17 per share	-	-	-
Stock offering costs	-	-	-
Common stock issued for services at \$0.17 per share	-	-	-
Stock offering costs	-	-	-
Options issued to employees below market value	-	-	-
Options issued to consultants below market value	-	(507,877)	-
Common stock issued for conversion of debt and interest at \$0.20 per share	-	-	-
Common stock issued for cash at \$0.10 per share for option exercise	-	-	-
Intrinsic value of employee options issued below market value	-	-	-
Common stock issued for related party note payable reduction at \$0.07 per share	-	-	-
Fair value of options issued to consultant	-	-	-
Common stock issued for conversion of preferred stock at \$0.20 per share	-	-	-
Options issued to directors for accrued director fees	-	-	-
Contributed capital for accrued director fees	-	-	-
Balance forward	\$ (67,292)	\$ (507,877)	\$ (23,720,434)

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

	Expenses Prepaid with Common Stock	Variable Deferred Consulting	Accumulated Deficit
	-----	-----	-----
Balance forward	\$ (67,292)	\$ (507,877)	\$ (23,720,434)
Pro-rata cumulative non-cash preferred stock			

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dividend	-	-	(3,502)
Amortization of prepaid expense	67,292	-	-
Amortization and revaluation of consulting expense	-	506,877	-
Stock issued for marketing services at \$0.09 per share	(22,500)	-	-
Stock issued for legal services at \$0.09 per share	(45,000)	-	-
Stock issued for accounts payable at \$0.15 per share	-	-	-
Stock issued for note payable to related party at \$0.06 per share	-	-	-
Amortization of prepaid expense	67,500	-	-
Fair value of options issued to consultant	-	-	-
Options issued to directors for accrued director fees	-	-	-
Contributed capital for accrued director fees	-	-	-
Net loss, March 31, 2005	-	-	(938,632)
Balance, March 31, 2005	\$ -	\$ (1,000)	\$ (24,662,568)

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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, 2005	\$ -	\$ (1,000)	\$ (24,662,568)
Options issued to directors for accrued director fees (unaudited)	-	-	-
Treasury stock issued for legal services (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.16 per share (unaudited)	-	-	-
Stock issued for cash			

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for \$0.20 per share (unaudited)	-	-	-
Stock issued for public relations services for \$0.095/share (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.13 per share (unaudited)	-	-	-
Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	-	-	-
Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	-	-	-
Stock issued for cash for \$0.17 per share (unaudited)	-	-	-
Amortization and revaluation of consulting expense (unaudited)	-	1,000	-
Options issued to employees below market value (unaudited)	-	-	-
Stock issued for services at \$0.705 per share (unaudited)	-	-	-
Stock issued for conversion of debt and interest at \$0.17 per share (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.15 per share (unaudited)	-	-	-
Stock issued for marketing services @ \$0.12 per share (unaudited)	-	-	-
Stock issued for marketing services below market value (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.10 per share (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.31 per share (unaudited)	-	-	-
Options issued to employee below market value (unaudited)	-	-	-
Stock issued for services at \$0.70 per share (unaudited)	-	-	-
Stock issued for the reduction of interest and principal for a note			

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payable for a related party (unaudited)	-	-	-
Stock issued for the exercise of options for \$0.16 per share (unaudited)	-	-	-
Net income, September 30, 2005 (unaudited)	-	-	3,502
	-----	-----	-----
Balance, September 30, 2005 (unaudited)	-	\$ -	\$(24,659,066)
	=====	=====	=====

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 Six Months Ended September 30,	
	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 3,502	\$(625,551)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	2,381	92
Gain on extinguishment	-	(43,990)
Stock/Stock options issued for consulting services	96,782	415,138
Stock options issued for board compensation	15,000	3,000
Stock options issued for compensation	9,825	5,000
Stock issued for legal services	35,000	-
Gain on return of common stock	(13,750)	-
Amortization of expenses prepaid with common stock	(6,667)	67,292
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable	(453,367)	244,606
(Increase) in inventory	(79,112)	(33,967)
Decrease in deferred costs	105,372	-
Increase (decrease) in accounts payable and accrued liabilities	226,899	(88,357)
Increase in interest payable	24,954	-
Increase in unearned revenue	77,739	48,198
Decrease in other assets	7,513	5,185
	-----	-----
Net Cash Provided (Used) by Operating Activities	52,071	(3,354)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		

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Cash receipt on notes receivable	-	50,000
Purchase of fixed assets	(4,298)	(5,500)
	-----	-----
Net Cash Provided by (Used) Investing Activities	(4,298)	44,500
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to related parties	-	(10,654)
Principal payments on notes payable	(43,605)	(79,335)
Cash proceeds from notes payable	54,092	-
Proceeds from common stock	55,035	75,000
	-----	-----
Net Cash Provided (Used) by Financing Activities	65,522	(14,989)
	-----	-----
NET INCREASE IN CASH	113,295	26,157
CASH AT BEGINNING OF PERIOD	16,752	113,820
	-----	-----
CASH AT END OF PERIOD	\$130,047	\$ 139,977
	=====	=====

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  
Six Months Ended  
September 30,

	-----	-----
	2005	2004
	-----	-----
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of stock for payment on notes payable and interest	\$ 140,653	\$ 75,232
Common stock issued for related party debt	\$ 364	\$ 17,500
Stock options issued for accrued director fees	\$ 15,000	\$ 60,000
Common stock issued for stock offering costs	\$ -	\$ 45,900
Stock options issued for consulting services	\$ 96,782	\$ 415,138
Stock options issued for employee and board compensation	\$ -	\$ 8,000
Cash Paid For:		
Interest	\$ 21,386	\$ 24,949
Income taxes	\$ -	\$ -

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

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PCS EDVENTURES!.COM, INC.

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## AND SUBSIDIARY

Notes to the Consolidated Financial Statements  
September 30 and March 31, 2005

### 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, 2005 Annual Report on Form 10-KSB. Operating results for the six months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2006.

### 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. Management's plans with respect to alleviating the adverse financial conditions that caused you to express substantial doubt about the Company's ability to continue as a going concern are as follows:

During the fiscal year ending March 2005, the Company opened discussions with several target companies for possible merger and acquisition activities. In addition, the Company also continued to investigate the feasibility of utilizing parts of our Learning Labs to create a line of specialty retail learning toys. The Company has also entered into several strategic alliances with K'NEX, Science Demo, and GibsonTechEd for further product development and enhancement. The Company has also strengthened its international position by naming agents and installing Learning Labs in Egypt, Dubai, and Saudi Arabia. To date, the Company has continued to develop marketplace strategy for the US market as well as the international market and is still pursuing merger and acquisition candidates.

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

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SFAS No. 148, requires the Company to provide pro forma information regarding net income (loss) and net income (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, which would have resulted in additional expense of \$28,720 and \$122,367 for the six months ended September 30, 2005 and 2004, respectively.

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 100% to 538% percent for all years; risk-free interest rates of 1% to 6%, and expected lives of 1 to 10 years.

	For the Six Months Ended	
	September 30,	
	2005	2004
Net income(loss):		
As reported	\$ 3,502	\$ (625,551)
Pro Forma	(25,218)	(747,918)
Net income(loss) per share:		
As reported	\$ 0.00	\$ (0.02)
Pro Forma	0.01	(0.03)

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
September 30 and March 31, 2005

NOTE 3 - DILUTIVE INSTRUMENTS (Continued)

a. Stock Options (Continued)

A summary of the status of the Company's outstanding stock options as of September 30, 2005 is presented below:

	Shares	Weighted Average Exercise Price
Outstanding, March 31, 2005	12,679,890	\$0.19
Granted	463,547	\$0.47
Expired/Cancelled	(6,940,951)	\$0.21
Exercised	(1,405,055)	\$0.11
	4,797,431	\$0.21
Outstanding, September 30, 2005	4,797,431	\$0.21
	3,651,431	\$0.17
Exercisable, September 30, 2005	3,651,431	\$0.17

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PCS EDVENTURES!.COM, INC. AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
September 30 and March 31, 2005

### NOTE 4 - SUBSEQUENT EVENTS

During July 2005, the Company signed a letter of intent (LOI) to acquire LabMentors, a Canadian based developer of hands-on virtual computer, networking, and server labs. PCS will acquire all LabMentor's stock in exchange for PCS' restricted stock; the final structure of the exchange has not been determined. The purchase price is \$450,000, payable in PCS restricted common stock. In addition to the purchase price, LabMentor's shareholders can earn additional PCS shares based on LabMentor's EBITDA (earnings before income taxes, depreciation/amortization) for three years after the initial purchase of LabMentors. The LOI will terminate on November 30, 2005, unless a definitive agreement is reached following PCS' due diligence. The Company is currently working on due diligence and anticipates completion and close of the transaction on or before November 30, 2005.

In addition, two of PCS Board Members have exercised stock options after the quarter close. The total number of shares purchased through exercising stock options is 769,720 with an average exercise price of \$0.099 cents per share. The total amount received by PCS for these transactions was \$64,144.55.

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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 September 30, 2005, compared to Three months ended September 30, 2004.

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Revenues for the three-month period ended September 30, 2005, increased by \$538,298, or 197% to \$811,437 as compared to \$273,139 for the three-month period ended September 30, 2004. This increase is due to increased sales and marketing efforts throughout the country, as well as increased international sales.

Cost of goods sold for the three-month period ended September 30, 2005, increased by \$361,926, or 314% to \$477,080 as compared to \$115,154 for the three-month period ended September 30, 2004. This increase is due to an increase in sales as well as an increase in shipping costs. Included in the Cost of goods sold figure is Sales Commissions, which have also increased due to the increase in sales.

Operating expenses for the three-month period ended September 30, 2005, increased by \$47,952, or 12% to \$461,778 as compared to \$413,826 for the three-month period ended September 30, 2004. This increase is primarily due the Company experiencing an increase in legal and accounting expenses due to the due diligence associated with acquisition activity.

Interest expenses for the three-month period ended September 30, 2005, increased 11%, or \$1,077 to \$11,089 as compared to \$10,012 for the three-month, period ended September 30, 2004. This increase was due to an increase in interest rates, as well as fully utilizing short term borrowing abilities.

Six months ended September 30, 2005, compared to six months ended

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September 30, 2004.  
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Revenues for the six-month period ended September 30, 2005, increased by \$1,028,572, or 143% to \$1,746,409 as compared to \$717,837 for the six-month period ended September 30, 2004. This increase is due to increased sales and marketing efforts throughout the country as well as increased international sales.

Cost of goods sold for the six-month period ended September 30, 2005, increased by \$537,617, or 167% to \$859,291 as compared to \$262,626 for the six-month period ended September 30, 2004. This increase is due to an increase in sales as well as an increase in shipping costs. Included in the Cost of goods sold figure is Sales Commissions which have also increased due to the increase in sales.

Operating expenses for the six-month period ended September 30, 2005, decreased by \$232,346, or 21% to \$863,503 as compared to \$1,095,849 for the six-month period ended September 30, 2004. This decrease is primarily due the non-recurring expense we booked during last year's period for non-cash consulting expense of \$322,442. In addition to the non-recurring expense, we also experienced an increase in legal and accounting expenses due to the due diligence associated with acquisition activity.

Interest expenses for the six-month period ended September 30, 2005, decreased 14%, or \$5,583 to \$34,867 as compared to \$40,450 for the six-month, period ended September 30, 2004. This decrease is due to our efforts during the first quarter to convert debt to equity.

Liquidity and Capital Resources.  
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We had a cash balance of \$130,047 at September 30, 2005. 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 for the foreseeable future.

Item 3. Controls and Procedures.  
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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 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 effectively designed to ensure that information required to be disclosed or filed by us is recorded, processed or summarized, within the time periods specified in the rules and regulations of the Securities and Exchange Commission. 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.  
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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
James Boston	800	(1)		
Loretta Cook	800	(1)		
Jerry Sexton	800	(1)		
Thomas Tice	800	(1)		
Mark Stutzman	1,200	(1)		
Douglas Miller	7,800	(1)		
Matamo Development LLC	7,800	(1)		
Baker-Louderback Living Trust	60,900	(2)		
Joe D. and Gina L. Egusquiza	5,000	750		
Scott Peyron & Associates	25,208	(3)		
Joe D. and Gina L. Egusquiza	4,500	450		
Richard Mussler-Wright	344	107		
Harbor View Fund Inc.	100,000	(4)		
Anthony A. Maher	100,000	(5)		
Bill Albert	75,000	12,000		

(1) These shares were issued for consulting services at \$0.705 per share.

(2) These shares were issued for the conversion of debt and interest at \$0.20 per share.

(3) These shares were issued for public relations services at \$0.12 per share.

(4) These shares were issued for consulting services at \$0.70 per share.

(5) These shares were issued to an Officer/Board Member who exercised some options in consideration for a reduction of notes payable and interest. These options were exercisable at \$0.16 per share.

We issued these securities to persons who were either "accredited investors," or "sophisticated investors" who, by reason of education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in our Company; and each had prior access to all material information about us. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities and Exchange Commission and from various similar state exemptions, and with respect to the foreign investors, pursuant to Regulation S of the Securities and Exchange Commission.

### Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

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Item 5. Other Information.  
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None; not applicable.

Item 6. Exhibits.  
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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.

SIGNATURES

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

PCS EDVENTURES.COM, INC.

Date: 11/14/2005  
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By:/s/Anthony A. Maher  
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Anthony A. Maher  
Chief Executive Officer, President and  
Chairman of the Board of Directors

Date: 11/14/2005  
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By:/s/Christina M. Vaughn  
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Christina M. Vaughn  
Chief Financial Officer

Date: 11/9/2005  
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By:/s/Donald j. Farley  
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Donald J. Farley  
Secretary and Director

Date: 11/14/2005  
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By:/s/Cecil D. Andrus  
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Cecil D. Andrus  
Director

Date: 11/11/2005  
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By:/s/Michael K. McMurray  
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Michael K. McMurray  
Director